

The background is a satellite-style image of the Earth at night, showing city lights. Overlaid on this is a complex network of glowing blue lines that connect various points across the globe, representing a global energy network.

Implementing Network Codes in the Energy Community

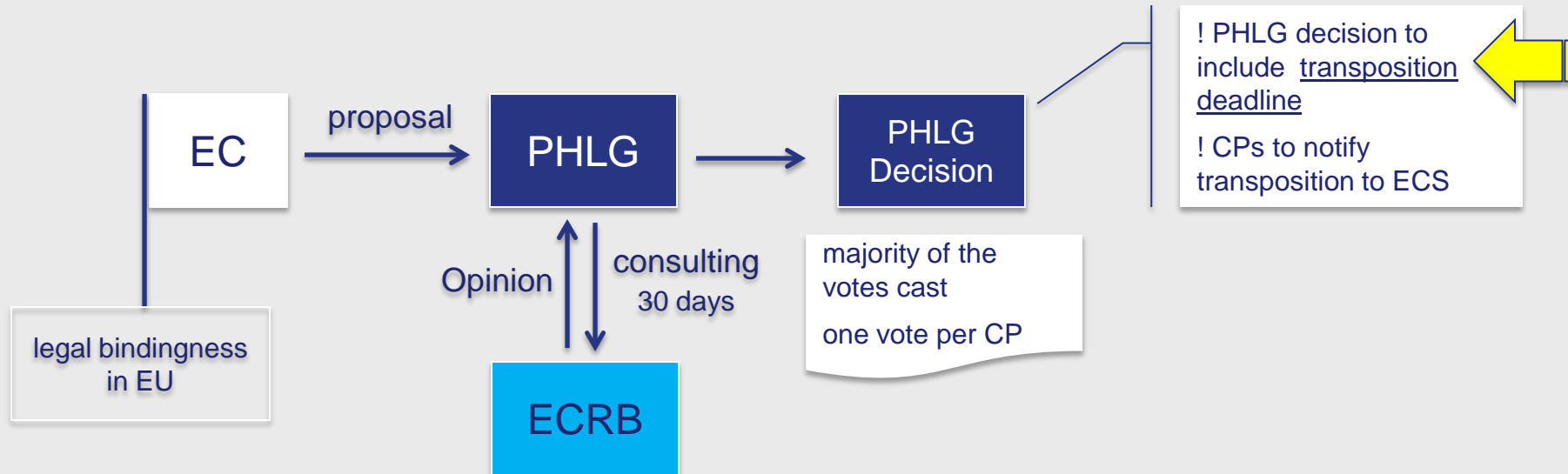
Secretariat's Concept

Annex 32_14th MC



- 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

Scope – including gas NCs in the EnC acquis

... 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

● EnC - EnC ● EnC - EU

#	IP-NAME/-LOCATION#
1#	Drozdovichi(UA)/-Drozdowicze(PL)-#
2#	Hermanowice(PL)/-(UA)#
3#	Uzhgorod-1(UA)/-Velké-Kapušany(SK)#
4#	Uzhgorod-2(UA)/-Velké-Kapušany(SK)#
5#	Uzhgorod-3(UA)/-Velké-Kapušany(SK)#
6#	Uzhgorod-4(UA)/-Velké-Kapušany(SK)#
7#	Budince(SK)/-(UA)#
8#	Beregovo(UA)/-Beregdaroc-1400(HU)#
9#	Beregdaroc-800(HU)/-Beregovo(UA)#
10#	GMS-Tekovo(UA)/-Mediesu-Aurit-(RO)#
11#	VIP-Mediesu-Aurit-Isacea-(RO)/-(UA)#
12#	Orlovka(UA)/-Isaccea-import-(RO)-#
13#	Orlovka(UA)/-Isaccea-I-(RO)#
14#	Orlovka(UA)/-Isaccea-II-(RO)#
15#	Orlovka(UA)/-Isaccea-III-(RO)#
16#	Oleksiivka(UA)/-Alekseevka-(MD)#
17#	GMS-Grebenyky(UA)/-Grebenyky-(MD)#
18#	Kaushany(RU/MD)/-Kaushany(UA)#
19#	Kyustendil(BG)/-Zidilovo-(MK)#
20#	Kiskundorozsma(HU)/-Horgoš-(RS)#
21#	Mali-Zvornik-(RS)/-Zvornik-(BH)#
22#	Ungheni-(RO)/-Ungheni-(MD)#

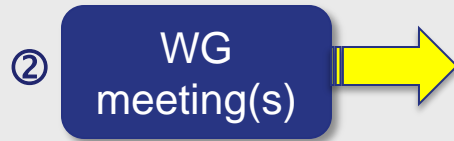


* IPs GR-AI and AI-IT will be relevant by the time of NCs implementation

Agreed work approach

TARGETED WG MEETING' RESULTS

③ NEXT STEP



Discuss NC sequence



①

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

1st meeting

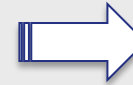
DECISION ON WORK APPROACH FURTHER: WGS - NC BY NC OR PER A PACKAGE OF DIFFERENT NC PARTS COMBINED

DEFINITION OF IMPLEMENTATION DEADLINES, PACKAGE BY PACKAGE [*date, sequence and reasoning*]

1st and further meetings

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



EC to table stepwise NC implementation to PHLG for adoption

Gas NC implementation proposal – overview

Proposed sequence of NC adoption

order	Topic	Legal act	Implementation steps	Implementation deadline
1	Transparency _(TRA)	COM Decision of 10.11.2010 amending Reg (EC) 715/2009 chapter 3 of Annex I (2010/685/EU)	in one step	2017
2	Interoperability _(IO)	Regulation (EU) 703/2015 of 30.04.2015	sequenced	2017 - 2018
3	Capacity Allocation Mechanisms _(CAM)	Regulation (EU) 984/2013 of 14.10.2013	sequenced	2017 - 2018
4	Congestion Management Procedures _(CMP)	COM Decision of 24.08.2012 amending Reg (EC) 715/2009 Annex I (2012/490/EU)	In one step parallel to CAM NC 1 st phase implementation	2017
5	Balancing _(BAL)	Regulation (EU) 312/2014 of 26.03.2014	sequenced	2017 – 2018 – (2019)

In detail: implementation proposal 1st step end 2017

Transparency	Interoperability	CAM	CMP	Balancing
<p>Entire act</p> <p>COM Decision of 10.11.2010 amending Regulation (EC) 715/2009 Chapter 3 of Annex I</p>	<p>Chapter II Interconnection Agreements (except provisions related to gas quality and data exchange)</p>	<p>Chapter II Principles of Cooperation</p>	<p>Entire act</p> <p>COM Decision of 24.08.2012 amending Regulation (EC) 715/2009 Annex I</p>	<p>Chapter II Balancing System</p>
		<p>Chapter III Allocation of Firm Capacity</p>		<p>Chapter IV Nominations (except re-nominations intraday)</p>
	<p>Chapter VIII Information Provision (articles 32 (1)&(2); 33; 37 (2)&(3))</p>			
	<p>Chapter X Interim Measures (to be applied as default before the BAL NC fully implemented) <u>or</u> application of Article 52 (Chapter XI)- Transitional provisions</p>			
	<p>Chapter III Units</p>			<p>Chapter V Interruptible Capacity (with exception of within day interruptible capacity)</p>
		<p>Chapter VI Final provisions</p>		<p>Chapter VI Tariffs and Capacity Booking Platforms (with exception of rules related to bundled products)</p>
<p>Chapter VII Transposition, implementation & monitoring responsibilities</p>				

In detail: implementation proposal 2nd step:2018-(2019)



Interoperability	CAM	Balancing
Chapter II Interconnection agreements- provisions related to gas quality and data exchange	Chapter II Principles of Cooperation (provisions related to data exchange and calculation of technical capacity with the purpose of offering bundled capacity)	Chapter III Operational Balancing
	Chapter IV Bundling of Cross- Border Capacity	Chapter IV Nominations (re-nominations intraday)
		Chapter V Daily Imbalance Charges
		Chapter VI Within Day Obligations
		Chapter VII Neutrality Arrangements
Chapter VIII Information Provision (articles 32 (3); 34-36; 37 (1); 38-44)		
Chapter IV Gas Quality and Odourisation	Missing provisions related to within day capacity	Chapter IX Linepack Flexibility Service
Chapter V Data Exchange		

In detail: proposed implementation timelines

	2016					2017					2018					2019													
	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
Transparency (TRA)	Time for discussions within WG					◊ PHLG Decision					•																		
Congestion Management Procedures (CMP)						◊ PHLG Decision					•																		
Interoperability (IO)						◊ PHLG Decision					•																		
Chapter I General provisions											•																		
Chapter II Interconnection agreements											• Except provisions related to gas quality and data exchange																		
Chapter III Units											•																		
Chapter IV Gas quality and odourisation																					•								
Chapter V Data exchange																					•								
Chapter VI Final provisions											•																		
Capacity Allocation Mechanisms (CAM)						◊ PHLG Decision					•																		
Chapter I General provisions						•																							
Chapter II Principles of cooperation						• Except provisions related to data exchange and calculation of technical capacity with the purpose to offer bundled capacity																							
Chapter III Allocation of firm capacity						•																							
Chapter IV Bundling of cross-border capacity																•													
Chapter V Interruptible capacity						• Except within day interruptible capacity																							
Chapter VI Tariffs and capacity booking platforms						• Except rules related to bundled products																							
Chapter VII Final provisions						•																							
Balancing (BAL)	◊ PHLG Decision					•																							
Chapter I General provisions						•																							
Chapter II Balancing system						•																							
Chapter III Operational balancing						•																							
Chapter IV Nominations						• Except re-nominations intraday																							
Chapter V Daily imbalance charges																•													
Chapter VI Within day obligations																•													
Chapter VII Neutrality arrangements																•													
Chapter VIII Information provision						• Only Articles 32.1, 32.2, 33, 37.2, 37.3																							
Chapter IX Linepack flexibility service																•													
Chapter X Interim measures						•																							
Chapter XI Final and transitional provisions						•																							

TRANSPOSITION IN NATIONAL LEGISLATION



– 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

The background is a satellite-style image of the Earth at night, showing city lights. Overlaid on this are numerous glowing blue lines that represent energy transmission paths, connecting various points across the globe.

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



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