



07 October 2011

To: All with an interest in the Capacity Allocation and Congestion Management (CACM) Network Code

Dear Stakeholder,

Update on the development of the CACM network code – October 2011

This short note has been developed by ENTSO-E in order to provide interested parties with an overview of current issues related to the development of the Capacity Allocation and Congestion Management (CACM) network code. This is the second in a series of updates which will be provided on a regular basis. It covers: the official invite to develop the CACM network code, the process and timescales for code development and the way we intend to engage with stakeholders.

ENTSO-E has been officially invited to develop a network code on CACM

On 19 September ENTSO-E was officially invited by the European Commission to begin developing a network code on CACM. ENTSO-E shall submit a CACM code covering optimal and coordinated use of transmission network capacity, day-ahead capacity allocation and intraday capacity allocation in line with the CACM framework guideline (FWGL) to the Agency for the Cooperation of Energy Regulators (ACER) by 30 September 2012. At this stage issues related to the allocation of forward capacity will not be included in the code.

ENTSO-E welcomes the official request and is looking forward to working closely with stakeholders and interested parties over the next 12 months to produce and consult on the network code.

Internal and external process and approximately timeline for CACM network code development

ENTSO-E has just over 12 months to develop the CACM code. This timescale is challenging. At a high-level, the code developing process can be thought of as containing 5 phases: a drafting phase, an initial approval phase, a public consultation phase, a redrafting phase and a final approval phase. We briefly discuss each phase in turn below.

Drafting phase

The objective of the drafting phase is to develop a single stabilized document (a draft network code) that can be submitted for internal approval before public consultation. To reach that target ENTSO-E will need to analyze the FWGL, develop positions on relevant policy issues, discuss the appropriate approach to developing particular sections of the code, understand stakeholder views and finally produce draft text that is both technically and legally correct.

As we have outlined in previous updates, drafting work within ENTSO-E is taking place in three different drafting teams. There is one team dealing with issues related to day-ahead markets, one for intraday markets and one for capacity calculation related issues. The teams work closely and coordination is vital....

The initial approval phase

Before public consultation there will be an internal approval phase to ensure the draft code is robustly critiqued by parties from different parts of Europe with different skill sets. This will involve:

- Legal approval – based on compliance with the framework guideline and a series of legal assessment criteria. .
- Technical approval – performed by the ENTSO-E Market Committee to ensure that policy positions are correctly represented.
- Overall approval - The draft code will be approved by the ENTSO-E a\Assembly which represents every TSO..

Public consultation phase

There will be a 2 month consultation period during which stakeholders and interested parties can comment on the draft code. The comments will be collected via a web based tool that have been developed to facilitate the process.

Redrafting phase

During the redrafting phases ENTSO-E will analyze all comments from stakeholders in order to identify issues to address and thereby changes to be made. The code will be revised where appropriate to produce an updated draft. .

Final approval phase

The final approval phase is expected to be similar to the initial approval phase. After approval the code will be submitted to ACER.

Approximate timeline

While timescales remain indicative and are subject to change, an approximate timeline is below:

- Sep 2011: Receive the official request to start draft network code on CACM by EC
- Mar 2012: Assembly approval of the draft network code on CACM before public consultation
- Apr - May 2012: Public consultation
- Jun - Jul 2012: Analysis of responses public consultation
- Jul - Aug 2012: Redraft network code on CACM
- Sep 2012: Approval of the final network code on CACM
- End Sep 2012: delivery of the network code on CACM to ACER

When ACER has evaluated the network code on CACM they will submit it to EC for approval. After approval the code will pass through the European Commission's Comitology process after which it will become legally binding for all market participants.

Stakeholder engagement

ENTSO-E recognizes the importance of wide engagement and has kicked off a process of engaging with stakeholders. On 26 September ENTSO-E hosted the second stakeholder group meeting. The following parties attended:

- Eurelectric;
 - The European Federation of Energy Traders (EFET);
 - The European Association of Energy Exchanges (Europex);
 - The European Wind Energy Association (EWEA);
 - The European Chemical Industry Council (CEFIC).
- International Federation of Industrial Energy Consumers (IFIIEC)

The meeting was also attended by the European Commission, representatives of National Regulators and ACER; who participated as observers. The next meeting is scheduled for the end of November. ENTSO-E has also organized a first technical workshop on capacity calculation issues. Due to the significant complexity

involved in this area we have decided to hold two day long workshops in which parties can discuss issues in detail.

Further information and next steps

ENTSO-E is committed to following an open and transparent process. Information presented at various stakeholder meetings will be made available via the ENTSO-E website. Parties are asked to note that documents should be treated as work in progress and should not be viewed as necessarily representing the final views of either ENTSO-E or attendees.

We hope that this information is useful. Should you wish to discuss or respond to this letter, please do not hesitate to contact Mark Copley via email at (mark.copley@entsoe.eu) or on +32 2 741 8629.

Yours Sincerely

The ENTSO-E Secretariat.