

EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR ENERGY

Directorate B - Security of supply, Energy markets & Networks
Acting Director

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Brussels,
ener.b.2(2011)917853

Mr Daniel Dobbeni
ENTSO-E
Avenue du Cortenberg 100
B-1000 Brussels
Delivered by e-mail

Subject: Invitation to start the procedure on a framework guideline on electricity grid connection rules

Dear Mr Dobbeni,

On 20 July 2011 the European Commission received from ACER the framework guideline on grid connection in electricity adopted on the same date. The Commission considers that this framework guideline contributes to non-discrimination, effective competition, and the efficient functioning of the internal market. Therefore, in accordance with Article 6 (6) of Regulation (EC) No. 714/2009, we request ENTSO-E to submit to ACER a network code in line with this framework guideline by 31 March 2012.

The Commission considers that the time to submit the network code should be shorter than the maximum 12 months because ENTSO-E has already worked on the connection network code as agreed between the Commission, ERGEG and ENTSO-E. This timing has also been discussed in the planning group.

It is necessary that the network code cover all elements of the framework guideline except the connection of Distribution System Operators and Industrial Load which will be subject to a separate network code. The mandate for this network code will be sent later, possibly in the beginning of 2012 as discussed in the planning group.

Regarding the framework guideline, we wish to draw your attention to the treatment of retroactive application of new rules. The Framework guideline states:

The applicability of the standards and requirements to pre-existing significant grid users shall be decided on a national basis by the NRA, based on a proposal

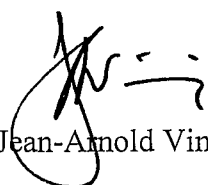
from the relevant TSO, after a public consultation. The TSO proposal shall be made on the basis of a sound and transparent quantitative cost-benefit analysis that shall demonstrate the socio-economic benefit, in particular of retroactive application of the minimum standards and requirements. Where it is not demonstrated that the socio-economic benefits outweigh the costs of requiring compliance, pre-existing (and, in exceptional cases, new) significant grid users can be granted derogations. The format and methodology or principles of the cost-benefit analysis shall be prescribed by the network code(s).

The Commission recognises the potential sensitivity of this issue for stakeholders and considers the development of the cost benefit analysis methodology or principles for retrospective application will be a very important aspect of the network code. We are also of the view that if measures are identified where, if applied to pre-existing significant grid users, the socio-economic benefits outweigh the costs this should be taken into account in the network code. If such cases are identified the network code would prescribe a methodology and principle for the cost benefit analysis which would rule out any derogation at national level.

The role of the network code is to create a series rules which, by being made binding Europe wide, support the completion of good functioning of the internal energy market. However, exemptions or derogation from the application of the network code can be necessary in some cases. This is provided for at section 2.2 of the Framework guideline, according to which NRAs may grant exemption. The framework guideline further states that "[t]he derogation process shall be transparent, non-discriminatory, non-biased, well documented and based on the cost-benefit analysis performed by the TSO". The Commission considers that the network code will have an important role to ensure consistency and full transparency on any such exemptions or derogations. Therefore the criteria to be used should be elaborated in the network code, with ACER also having the possibility to give an opinion on them.

We would appreciate if you could communicate to us your planning for the development of the network code, in particular how you intend to consult with stakeholders. The Commission services are at your disposal to discuss any questions which may arise regarding this letter or in the course of drafting the network code. We wish you all the success for the work on the first ever European network code.

Yours Sincerely



Jean-Arnold Vinois

c.c.: John Mogg, Alberto Pototschnig, Peter Plug, Florence Forum Participants