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ACER
Alberto Pototschnig
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Final Network Code on Electricity Balancing

Dear Mr Pototschnig,

ENTSO-E is pleased to deliver the Network Code on Electricity Balancing (NC EB) and the accompanying Supporting Document to the Agency for the Cooperation of Energy Regulators (ACER). The NC EB represents the result of a year of work which has involved stakeholders closely at every stage.

As you are aware, the NC EB has been formally developed by ENTSO-E following the European Commission's invitation letter of 21 December 2012, which set a deadline of 1 January 2014 for the delivery of the code to ACER. The NC EB was approved by the ENTSO-E Assembly on 23 December 2013.

We would like to thank all colleagues from ACER and National Regulatory Authorities for the constructive and supporting role they have played during the process of developing the NC EB. The preliminary opinion of 17 September and a series of productive bilateral meetings on multiple drafts of the NC EB have facilitated our understanding of ACER's and NRA's concerns and helped find agreements on ways to tackle the vast majority of them.

We are therefore confident that the NC EB constitutes a significant step forward in the creation of an Internal Energy Market in Europe to the benefit of European consumers in line with the Framework Guidelines on Electricity Balancing.

However, ENTSO-E is still concerned about the feasibility of timings foreseen in the Framework Guidelines for the implementation of the targets, as initially raised in our letter to ACER on 27 August 2012, where we highlighted that the Framework Guidelines did not reflect the complexity of the project and objective experience with pan-European market integration projects. Especially in the case of electricity balancing the direct impact of balancing markets on the security of supply of the European power system must not be underestimated.

Following discussions with ACER on the requests promoted in the preliminary opinion, ENTSO-E has included in the network code a series of intermediate steps (the so-called regional integration models) for the implementation of the target models. At the same time ENTSO-E has prepared an implementation plan showing the feasible timings and tentative schedule for each implementation requirement in the NC EB and interdependencies between them. The conclusion was discussed with ACER: it is unlikely that the final implementation deadline set forth in the Framework Guidelines (6 years after entry into force of the NC EB) may be met, even if the implementation was started with the submission of the NC EB to ACER today.

We therefore believe that the correct approach to tackle this issue is to acknowledge the estimated timings in the Supporting Document and to specify the implementation timing of the European integration models as

part of the implementation framework, in agreement with NRAs, after the regional integration model is in place.

We would be keen to keep on working together with both ACER and the European Commission in order to solve any concerns in the NC EB during the upcoming three month period in which ACER is preparing its opinion and related recommendation. ENTSO-E on its own side will however develop case by case improvements on the most difficult implementation issues.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'K. Staschus', with a long horizontal stroke extending to the right.

Konstantin Staschus, PhD
Secretary-General
ENTSO-E