

**Update on relevant points discussed at
27th Madrid Forum**

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Main topics of interest

- Energy Union
- Security of Supply
- European Gas Target Model
- Gas Quality Harmonisation
- Role of the Gas Regional Initiatives
- Network Code on Tariffs
- Incremental Capacity (CAM NC amendment)
- 3rd package implementation
- Congestion management and transparency guidelines implementation
- CAM Network Code implementation
- Balancing Network Code implementation

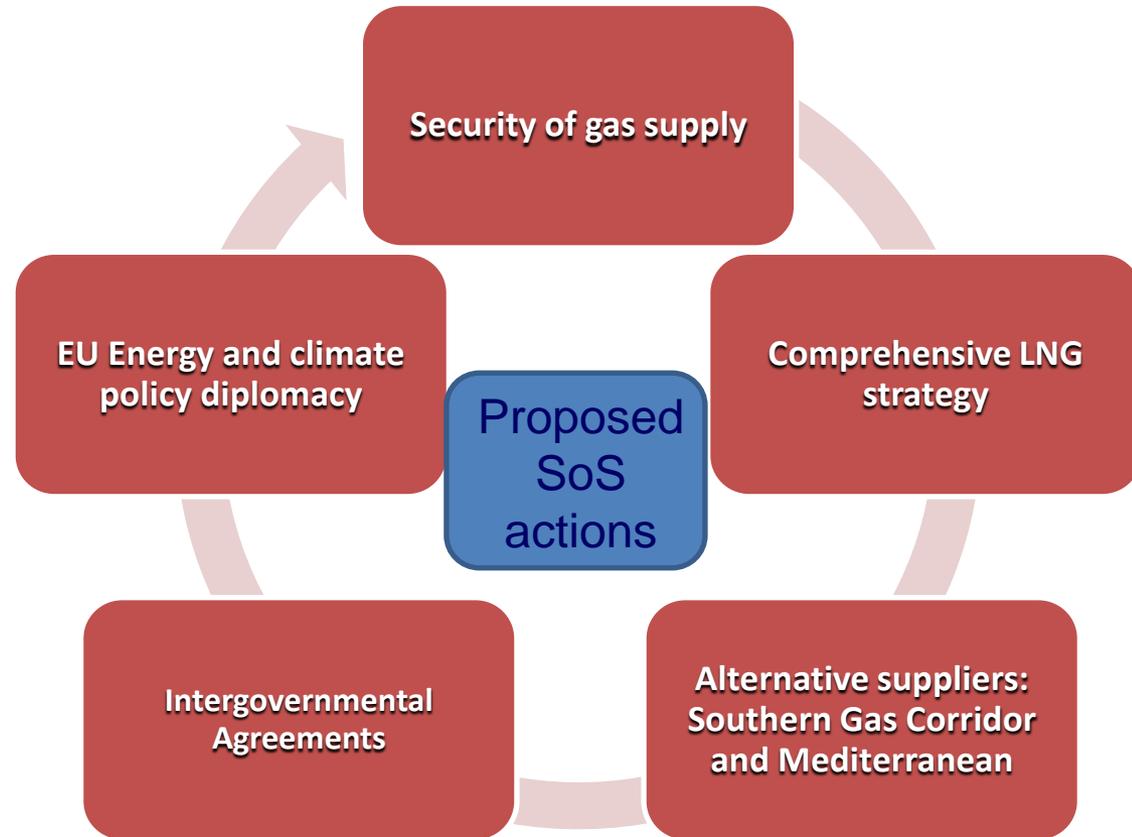
Energy Union

Where the EC wants to go:

Secure, sustainable, competitive, affordable energy for every European

What this means:

- **Energy security, solidarity and trust**
- A fully integrated internal EU-wide energy market
- Energy efficiency as an energy source in its own right
- Transition to a low-carbon society
- Research, innovation and competitiveness



Security of Supply

Ensure and improve SoS

- Diversification of sources
- Diversification of routes
- Solidarity and cooperation in prevention and management of disruptions
- Keep Europe attractive as destination for gas

- EC received 100 answers to their Public Consultation
- Regional plans: ensure cooperation and consistency
- Supply standard: how much flexibility makes sense?
- Stakeholders call for transparency concerning SoS
- Storage study will also contribute to legislative proposal, study still lacking cost information
- The EC wants to present its legislative proposal in autumn

European Gas Target Model

- ACER will include the metric calculation results (biannually) for each market in the Market Monitoring Report (MMR) as soon as (REMIT) data is available
 - October 2015: market places data
 - April 2016: OTC data
 - Probably first covered in MMR 2016 (published 2017)
- NRAs to carry out self-evaluation on the basis of the MMR, planning second half 2015
- ACER to summarize and evaluate the results of the self-evaluation and the proposed measures



MF Conclusions:

The **Forum acknowledges the useful work on the ACER GTM review and update**, setting out different market integration modalities. The Forum agrees that all European consumers should benefit equally from secure gas supplies priced purely on the basis of supply and demand fundamentals by promoting the creation of deep and liquid spot and forward markets. [...] The Forum notes the ongoing regional discussions relative to the optimal configuration of Entry-Exit systems as well as the creation of liquid Gas Hubs and encourages the Gas Regional Initiatives, ACER and ENTSOG, with the close involvement of stakeholders, to further assess the matter and report back to the next Forum.

Gas Quality Harmonisation

EN 16726: This European standard specifies gas quality characteristics, parameters and their limits, for gases classified as group H, that are to be transmitted, injected into and from storages, distributed and utilised.

Reasons for deletion of Wobbe Index from EN 16726:

- No consensus possible due to diverging positions of stakeholder groups and/or national standardisation bodies
 - narrow Wobbe range = minimise GQ variations
 - broad Wobbe range = allow max kinds GQs
- More experiences needed for evaluation of impact on gas residential and industry applications (Wobbe index range and variations)

MF Conclusions:

The Forum looks forward to the imminent adoption of a CEN gas quality standard. The **Forum regrets that an agreement on a value range related to the Wobbe Index could not be reached by CEN** and encourages relevant stakeholders at national level to pursue the assessment of potential future instabilities in the Wobbe values and the impacts that has on the safe and secure operation on gas appliances and processes. The Forum invites the Commission to ensure the binding application of the forthcoming standard.

Role of the Gas Regional Initiatives

- Continue promoting the **early implementation of CAM Network Code (NC)** (in cooperation with ENTSOG). Upgrade target for end of 2014, in order to aim at full implementation in November 2015
- Monitor and facilitate early implementation in **other areas for NCs** (balancing, interoperability and data exchange)
- Support ongoing projects for **market integration** (implementation of the Gas Target Model) and provide assistance when needed
- Follow up development and implementation of **Work Plans** beyond 2015
- Extension of the GRI to **new countries** (e.g. advanced Contracting Parties of the Energy Community, Baltic States)

MF Conclusions: The Forum encourages the Gas Regional Initiatives to **move from rather general work plans to concrete and measurable deliverables**, in order to ensure an effective implementation of the Third Energy Package including EU network codes and guidelines. The Forum also **welcomes the tighter cooperation between Member States and Energy Community Contracting Parties** in the regional work.

Network Code on Tariffs

The Agency's main concerns regard:

- definition of transmission services, where ACER expected a transparent and harmonised delineation between dedicated and transmission services;
- publication requirements, where discretion was given to a national approach, to the detriment of transparency and harmonisation;
- the description of the various cost allocation methodologies, where ACER believes that approaches to circumstances, the number of cost allocation methodologies and secondary adjustments must be aligned with the FG;
- the pricing of interruptible capacity and non-physical backhaul capacity, which is not harmonised anymore;
- the approach to payable price, and in particular the inclusion of a fixed option.

Core elements for further consideration:

Cost allocation methodologies, fixed vs floating tariffs, ex-ante and ex-post deductions for interruptible products, multipliers

Next steps:

ENTSOG re-submit TAR NC

ACER submits TAR NC to EC

16th June, 17th & 18th
September – Informal
Member State meeting

14th & 15th December –
Comitology Meeting

Incremental Capacity (CAM NC amendment)

Issues which need to be refined after Public Consultation:

- Criteria for application of the alternative allocation mechanism within Open Seasons
- Risk sharing between TSOs and shippers once the economic test triggers an incremental project. The Tariff NC shall not hamper national efficiency policies
- Users to whom the tariff adjustment would apply in the event that this is necessary to pass the ET

MF Conclusions:

The Forum invites ENTSOG, ACER as well as the Commission to work together to resolve key open issues relating to open season procedures and fixed and floating tariffs.

3rd package implementation

Systematic non-conformity check:

- The Commission undertakes *ex officio* investigations concerning the transposition and application of relevant EU legislation, in particular focusing on the implementation of the Directives 2009/72/EC and 2009/73/EC and Regulations (EC) No 714/2009 and 715/2009
- Multi-step procedure:



- As IEM is a core area of EU policy, Commission does not wait for complaints but proactively checks compliance
- In parallel, there are also "ad hoc" cases for particularly urgent issues or on the basis of complaints – sometimes several per Member State

Congestion management and transparency guidelines implementation

ACER Congestion Report

1. The number of contractually congested IP sides did not decrease substantially.
2. Repeated congestion concerns fewer points (13.2% of IP sides in 2014).
3. Experience with the application of CMP measures grew, but did not reach full coverage including congested points.
4. Data availability on the Transparency Platform improved substantially. Missing data is limited.
5. Prisma Secondary trading: data transparently available. On other points transparency on secondary trading data could be improved (in a voluntary process).

CAM Network Code implementation

- Cooperation of booking platforms
- Bundling of capacity
- Technical capacity mismatch
- ENTSOG and EFET joint work stream on issues regarding bundling of capacities

MF Conclusions:

The Forum acknowledges NRAs' and TSOs' work on the implementation of the CAM Network Code but encourages them to step up their efforts with a view to **the approaching binding implementation date of 1 November 2015**. The Forum **insists that capacity platforms PRISMA, RBP and GSA step up their efforts to implement a legally compliant and fully operational cooperation model** and welcomes the steps taken to that effect. The Forum also notes however that a technical solution for cooperation will most likely not be in place by the deadline of 1 November 2015. The Forum looks forward to ACER's initiative to conduct an analysis of the existing booking platforms to assess whether they all comply with all provisions of the CAM Network Code by 1 November 2015.

The Forum **welcomes the joint work by ENTSOG and EFET relative to capacity contract harmonization** and urges them, as well as other interested stakeholders, to bring to the attention of NRAs, ACER and the Commission specific implementation solutions on the matter.

Balancing Network Code implementation

Implementation challenges:

- Market Liquidity
- Timescales
- Transparency / Information Provision
- Cross border aspects

MF Conclusions:

In view of the approaching binding implementation date of 1 October 2015, the Forum **encourages ACER to produce and publish an implementation monitoring report by the beginning of 2016**. Furthermore, the Forum encourages NRAs, TSOs, ACER, ENTSOG and stakeholders to take an active role in the implementation process by having regular exchanges addressing potential issues, promoting the exchange of best practices at national level and supporting cross-border cooperation where needed.

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