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**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY
REGULATORS No 09/2016**

of 3 October 2016

**ON THE ANNUAL REPORT FOR THE YEAR 2015 OF THE EUROPEAN
NETWORK OF TRANSMISSION SYSTEM OPERATORS FOR GAS**

THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS,

HAVING REGARD to Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators¹ (hereinafter referred to as “the Agency”), and, in particular, Article 6(3)(b) thereof,

HAVING REGARD to Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005², and, in particular, Article 9(2) thereof,

HAVING REGARD to the favourable opinion of the Board of Regulators of 14 September 2016, delivered pursuant to Article 15(1) of Regulation (EC) No 713/2009,

WHEREAS:

- (1) On 8 June 2016, the European Network of Transmission System Operators for Gas (hereinafter referred to as “ENTSOG”) published its Annual Report for the year 2015 (hereinafter referred to as “the Annual Report”).
- (2) Pursuant to Article 6(3)(b) of Regulation (EC) No 713/2009 and Articles 8(3)(e) and 9(2) of Regulation (EC) No 715/2009, the Annual Report has to be evaluated by the Agency taking into account the objectives of non-discrimination, effective competition, efficient and secure functioning of the internal gas market,

HAS ADOPTED the present Opinion on ENTSOG’s 2015 Annual Report, with the following main findings, comments and guidance:

1. MAIN FINDINGS

- a) The Annual Report, entitled “Securing Europe’s energy future: implementing the internal market for gas”, contains four chapters. The structure of the Annual Report is consistent with the tasks attributed to ENTSOG pursuant to relevant European Union regulations.

¹ OJ L211, 14.8.2009, p. 1.

² OJ L211, 14.8.2009, p. 36.

- b) The Annual Report highlights ENTSOG's main achievements in 2015, and in particular:
- The change of focus in the area of gas network codes (NCs), from codes development to ensuring that the codes are working as intended;
 - The publishing of the 2015 Ten-Year Network Development Plan (TYNDP), which - according to ENTSOG - for the first time incorporates a cost-benefit analysis (CBA) in support of the selection of projects of common interest (PCIs);
 - The enhancement of the Transparency Platform which aims at providing comprehensive information on gas transmission to and within Europe;
 - The release of the implementation reports for the Capacity Allocation Mechanisms and Balancing NCs, which, for the first time, provide insights into how the NCs are implemented.

The Agency finds that ENTSOG's Annual Report 2015 adequately takes stock of the priority work carried out by ENTSOG, in line with the targets for the internal energy market.

- c) The Agency notes ENTSOG's understanding that the association is in a transition period in which the focus of ENTSOG's work is changing, with the implementation and refinements of NCs being on the agenda. The Agency also notes ENTSOG's view that ENTSOG will have to deal with the integration of renewable energy sources in the European Union's infrastructure, in particular for the purposes of achieving better stabilised electricity systems, getting ready for more flexible gas supply, supporting security of gas supply in a pragmatic way by allowing gas sources and routes to be connected to Europe, and supporting the free flow of gas to hubs.
- d) The Agency highlights ENTSOG's view that the implementation of the internal energy market might take longer than intended, and that ENTSOG's focus now should be on making the new NCs operational within the existing regulations prior to introducing new ones.
- e) The Annual Report highlights ENTSOG's work in other areas, and in particular the implementation of Regulation (EU) No 1227/2011 (REMIT)³ by the transmission system operators (TSOs), the development of adequacy forecasts (annual summer and winter gas supply outlooks), and common network operation tools (CNOTs) for ensuring transparency and coordination of network operations under normal and emergency conditions. The Annual Report also provides information on work related to gas quality standardisation, regional coordination system for gas, a Ukrainian monitoring mission, and cooperation with the Energy Community and third country TSOs.

³ OJ L326, 8.12.2011, p. 1.

- f) The Annual Report contains information on ENTSOG's membership and team, as well as other supporting information, such as the lists of press releases and stakeholder consultations and workshops held during the reported period. The Agency notes that the Annual Report presents ENTSOG's Financial Statements, but does not include the Board decision on the Financial Statements.

2. COMMENTS AND GUIDANCE

- a) The Agency welcomes the publication of the Annual Report on 8 June 2016. However, the Agency recalls its advice to ENTSOG to consider publishing its annual reports on an earlier annual schedule.
- b) The Agency reiterates its recommendation to include in future annual reports the Board's decision on ENTSOG's financial statements, in pursuit of greater transparency and of making such information easily accessible to the public.
- c) The Agency notes that the Annual Report 2015 addresses tasks foreseen under Article 8(3) of Regulation (EC) No 715/2009 regarding the adoption of (i) CNOTs; (ii) the TYNDP; (iii) recommendations relating to the coordination of technical cooperation between Community and third-country TSOs; (iv) an annual work programme; (v) an annual report, and (vi) annual summer and winter supply outlooks. The Agency notes that the corresponding deliverables were scheduled for 2015, except for CNOTs which are to be published in 2016. However, the status of some of these deliverables, for example research plans and recommendations relating to the coordination of technical cooperation between Community and third-country TSOs, is not always explicitly indicated in the Annual Report 2015⁴.
- d) The Agency encourages ENTSOG to continue supporting the implementation of the NCs and their monitoring process, as required by Article 8(8) of Regulation (EC) No 715/2009.
- The Agency appreciates the inclusion in the Annual Report of information related to the implementation and monitoring of the NCs and, in particular, the inclusion of information about non-implementing TSOs. It also welcomes that the Annual Report points out the challenges of NC implementation, as well as those related to monitoring the implementation of the provisions in the NCs. However, the Agency notes that the work related to the implementation and monitoring of the NCs is reported in several chapters, each one of them also dealing with other work. Furthermore, the reporting of the results of the analysis is not detailed, but rather aggregated, in particular regarding the effects of the NCs and Guidelines

⁴ Cf. ENTSOG's Annual Report 2015, pp. 18-19 (ENTSOG Deliverables 2015) and pp. 21-23 (Work Programme Status).

implementation on the harmonisation of applicable rules aimed at facilitating market integration⁵.

- In view of the importance which ENTSOG itself ascribes to NC implementation and monitoring for achieving the internal energy market, the Agency finds appropriate the establishment of a process dedicated to making the NCs work as intended (the “Functionality Process”, subsequently developed into the Joint Functionality Process with the Agency). The Agency invites ENTSOG to consider reporting on NC implementation and monitoring in future annual reports in a dedicated section which includes the main findings from the Joint Functionality Process, rather than across the workspace areas as presented in the Annual Report.
 - For the purpose of reporting and monitoring under the Joint Functionality Process, the Agency encourages ENTSOG to share its findings with the Agency and, where needed or useful, with stakeholders, before the publication of the results in the annual report. The Agency draws ENTSOG’s attention to the fact that Article 8(9) of Regulation (EC) No 715/2009 states that “*the ENTSO for Gas shall make available all information required by the Agency to fulfil its tasks under Article 9(1)*”, and encourages ENTSOG to assure that such information is provided to the Agency regularly, in full, and for all work areas, including, but not limited to, NC implementation and monitoring, the transparency platform, the network and market model(s) used for various tasks, and other relevant activities.
- e) The Agency appreciates the inclusion in the Annual Report of concise tables providing a review of ENTSOG’s work programme status, including the specific activities along with their goals, deliverables and completion dates, consultation, and actual status.
- The Agency notes that, in some instances, fields in the tables have been left blank without further comments, and that consequently it is not always straightforward to deduce whether the specific activity’s execution is on track. For example, Article 24(1) of the Interoperability Code states that “*for each data exchange under Article 20(2) ENTSOG shall develop a common network operation tool in accordance with Article 8(3) of Regulation (EC) No 715/2009 and shall publish it on its website*”, and Article 26 states that “*it shall apply from 1 May 2016*”. However, the tables do not seem to contain information regarding this deliverable and completion date, and the Agency is not aware of such a publication on ENTSOG’s web site as of 8 June 2016, when the Annual Report 2015 was published.

⁵ According to Article 8(8) of Regulation (EU) No 715/2009, “(t)he ENTSO for Gas shall monitor and analyse the implementation of the network codes and the Guidelines adopted by the Commission in accordance with Article 6(11), and their effect on the harmonisation of applicable rules aimed at facilitating market integration. The ENTSO for Gas shall report its findings to the Agency and shall include the results of the analysis in the annual report referred to in point (e) of paragraph 3 of this Article”.

- The Agency invites ENTSOG to consider in future annual reports a more complete reflection of the actual status of all activities, in particular those included in ENTSOG’s annual Work Programme, and especially those activities which lead to required deliverables on a defined schedule, by possibly using a table identical to the one in the Work Programme and adding to it a clear status update for each activity and deliverable.
- f) The Agency notes ENTSOG’s effort in pursuit of improving transparency, involving stakeholders and taking their views into account. The Agency welcomes the coverage in the Annual Report of the Transparency Platform and encourages ENTSOG to assure the highest possible data quality on the Platform. The Agency invites ENTSOG to consider providing in future annual reports information about work leading to:
- Harmonisation of reporting elements, including improved user-friendliness of the export file;
 - Adding new reporting elements on reverse flows, CMP-relevant interconnection points sides, types of firm products, bundled/unbundled products, and other important information, such as gas production, underground gas storages, etc.;
 - Publishing data quality check results;
 - Providing a feedback option for reporting errors;
 - Other possible improvements as advised by stakeholders and the Agency.
- g) Regarding ENTSOG’s reporting on the activities related to the seasonal (winter and summer) Outlooks released by ENTSOG in 2015, the Agency reiterates its view that the seasonal Outlooks developed by ENTSOG under Article 8(3)(f) of Regulation (EC) No 715/2009 should look at all aspects of gas supply, along with the aspects of the flexibility and resilience of the gas infrastructure under stress cases. Furthermore, the consistency between the short-term seasonal Outlooks and the long-term development perspective presented in the TYNDP could be enhanced by relevant adjustments in both the Outlooks and the TYNDP, especially considering that the TYNDP also includes a European Capacity Adequacy Outlook and an assessment of the network resiliency⁶.
- h) The Agency notes that the Annual Report mentions that the TYNDP “maps the integrated gas network according to a range of development scenarios”⁷. The Agency points out that scenario development is a core task to be performed and consulted ahead of the TYNDP preparation, consistently with scenarios for the electricity sector and scenarios at Member State level. The Agency welcomes ENTSOG’s cooperation with the European Network of Transmission System operators for Electricity (“ENTSO-E”) in this field of work, and encourages ENTSOG to collaborate further with ENTSO-E

⁶ Cf. ENTSOG’s Annual Report 2015, p. 9.

⁷ Ibid.

for the subsequent TYNDPs, notably by jointly organising the TYNDP scenario development process, releasing common deliverables on TYNDP scenarios and providing the appropriate information in their respective annual reports.


- i) The Agency acknowledges ENTSOG's use of the CBA methodology for preparing the TYNDP 2015 and notes that the methodology is now also applicable to the future lists of PCIs under Regulation (EU) No 347/2013⁸. The Agency recalls the importance of the transparent disclosure of project-specific cost and benefit information in the TYNDP and in all the other processes which the CBA methodology has to support, namely the selection of PCIs and individual investment requests for projects under Regulation (EU) No 347/2013. The Agency therefore invites ENTSOG to consider initiating the update of the CBA methodology adopted by the European Commission in 2015, in due time for the methodology's application to the TYNDP 2018 and the relevant PCI list.
- j) The Agency welcomes ENTSOG's cooperation with the Energy Community and stresses the importance of ENTSOG's valuable expertise in providing assistance to the cooperation between European Union TSOs and third-country TSOs. The Agency notes the information provided in the Annual Report regarding the coordination of the technical cooperation between EU and third-country TSOs.
- k) The Agency appreciates ENTSOG's support of the Gas Regional Investment Plans (GRIPs) under Article 12(1) of Regulation (EC) 715/2009, whereby ENTSOG acts as an umbrella entity for the participating TSOs and also provides support on data collection and modelling. The Agency welcomes ENTSOG's understanding that the GRIPs serve as a link between TYNDPs and national network development plans.
- l) The Agency welcomes ENTSOG's contribution to the activities of the Gas Coordination Group, where ENTSOG is responsible for coordinating the TSOs' expertise with respect to assessing the interconnected gas infrastructure, especially through modelling analyses, which are also the basis for ENTSOG's annual summer and winter supply Outlooks.
- m) The Agency notes with satisfaction the continuous reinforcement in 2015 of the collaboration between ENTSOG and ENTSO-E, leading, *inter alia*, to the following practical outputs:
 - The development of a methodology to assess gas demand for power generation, which describes the possible evolution of the power generation mix in each European country;
 - The formulation of a concept to fulfil the requirement in Regulation (EU) No 347/2013 of developing a "consistent and interlinked gas and electricity model";

⁸ OJ L115, 25.4.2013, p. 39.

- The production of Winter Outlooks, which allowed the ENTSOs to reflect on the ability to mitigate gas security-of-supply issues by substituting gas-fired generation for other generation assets as part of the ENTSO-E Winter Outlook;
 - The development of better aligned TYNDP visions and demand scenarios, in particular for gas demand for power generation.
- n) The Agency notes ENTSOG's statement in the Annual Report that "by 31 December 2016, both ENTSOs will jointly submit their proposal for a "consistent and interlinked gas and electricity model" to the European Commission and ACER"⁹. The Agency looks forward to the development of a consistent and interlinked gas and electricity network and market model and its submission by 31 December 2016 to the European Commission and to the Agency, in line with Article 11(8) of Regulation (EU) No 347/2013.
- o) The Agency notes the considerable turnover in 2015 of TSO seconded staff¹⁰, i.e. staff on whom ENTSOG largely relies for carrying out its activities. The Agency is of the view that ensuring proper knowledge transfer within ENTSOG is vital for its operations, in particular for successfully performing specialised activities of critical importance. The Agency invites ENTSOG to foresee in greater detail staffing and knowledge stabilisation and transfer activities in forthcoming annual work programmes, and to provide information on such activities in future annual reports.

Done at Ljubljana on 3 October 2016.

For the Agency:


Alberto Pototschnig
Director

⁹ Cf. ENTSOG's Annual Report 2015, p. 33.

¹⁰ Cf. ENTSOG's Annual Report 2015, p. 14.



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