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Eurogas Response to ACER's preliminary scoping Consultation on potential "FG rules for trading related to technical and operational provisions of network access services and system balancing (FG RfT)"

Eurogas wishes to respond to the preliminary scoping consultation on rules for trading. Many of the questions are related to actual experience of products. Eurogas does not have this information and so as suggested in the Madrid Forum we confine our answer to two main aspects

- Are the identified issues the correct ones?
- Is a FG/Code needed?

Are the identified issues the correct ones?

The five points identified by ACER are all areas which Eurogas members have identified as important in previous inputs. Eurogas supports the development of

- Clearly marketed products;
- Secondary capacity;
- A VTP for every entry/exit zone which is not yet the case;
- Well-functioning hubs, underpinned by price discovery and clear market signals, as well as standardised contracts;
- Licensing requirements that facilitate cross-border trade.

<u>Clearly marketed products</u>

Eurogas agrees that lack of clarity in the key features of some capacity products is an impediment to trading confidence and to optimised cross-border trade. Coherent and transparent definition of technical capacity across borders is a key factor to improve cross-border trade. This will require effective NRA and TSO cooperation.

Eurogas observed during the CAM discussions that there could be an issue about the broad labelling of products as either firm or interruptible. Therefore an analysis is needed to determine the extent to which problems have in fact materialised. The starting position should be that imperfect alignment on the characteristics of products is problematic for cross-border trade. Eurogas would be reluctant to propose different degrees of firm capacity. “Firm” should remain firm. However, provided there is a clear understanding that the TSO has the responsibility to maximise availability of firm capacity, then there may be scope for envisaging the marketing of products bridging firm and interruptible e.g., recognising allocational restraints, when such products are needed because of the physical characteristics of the network. Then that same conditional quality would need to be recognised along the whole route, otherwise there could be mismatch elsewhere when nominating/renominating capacity, making the use of capacity inefficient.

TSOs should not be prevented from seeking to offer diversified products of this sort, provided these are a reflection of market needs.
Cross-border capacity products, including bundled products, should have uniform features.

Therefore further transparency requirements in existing Codes would be advantageous. Eventually the Codes could be amended to recognise the need for more clarity in the description of capacity products.

These improvements coupled with development of a fully robust secondary market would bring significant progress in liquidity. Possibility to resell only part of a primary product, or tailor-mode capacity products should be possible across Europe.

<u>A VTP for every entry-exit zone</u>

While Eurogas recognises that there may be some practical reasons why a fully developed entry-exit system is not up and running in all Member States, A VTP in each balancing system should be a minimum good practice requirement. This may give rise to initial trade-offs that then have to be accommodated, but a VTP in each zone will make it easier for shippers to adjust their trading portfolios and settle their imbalances, at the same time making it easier for new entrants to have access to the market. So it will improve liquidity.

Eurogas questions, however, whether rules are required to achieve this. Steady progress towards a VTP may well be part of the learning process in these Member States that are slower in implementing even the basics of the Third Package. Eurogas would favour ACER's taking practical steps to spread good practice.

<u>Well-functioning hubs, underpinned by price discovery and clear market signals, as well as standardised contracts</u>

This is a pre-requisite of a functioning, liquid market, but as Eurogas has stated in the context of discussions on GTM2, provided the basic market conditions are in place, no intervention in hub development is warranted.

<u>Licensing requirements that facilitate cross-border trade</u>

Eurogas fully agrees on the aim to remove trading obstacles, which, we understand, are encountered in some Member States. Eurogas supports the intention of the Madrid Forum participants to consider further ways to improve hub functioning.

One solution would be to abolish remaining existing gas supply licence requirements in Member States, but if this is seen as going too far too quickly, then at least NRAs should be encouraged to ensure there are no administrative national obstacles.

All documents with a legal validity that shippers must sign when they apply for a licence should be in English. Problems currently arise in Member States when this is not the case.

With regard to wholesale energy market transactions in the sense of REMIT (Regulation EU No 1227/2011) it does not appears necessary to go further at all in matters of transparency. Within its scope there is already an obligation on market participants to register with the national regulatory authority in the Member State in which they are established or resident. A market participant should register only with one national regulatory authority and Member States should not require a market participant already registered in another Member State to register again (see Art. 9 Regulation EU No 1227/2011). Whether this kind of "one-stop-shop-concept" could be a basis for a harmonised European approach for all further gas supply activities beyond REMIT would be subject of further discussion.

Is a FG/Code required?

Market dynamics are working across Europe. Eurogas would not favour a new Code. Where liquid markets are slow to develop, regional targeted solutions offer the best way forward. If the outcome of this consultation and deeper analyses suggests the need for new European rules in some areas, e.g. more clarity or transparency of products, consideration should rather be given to modifying existing Codes. Any new Code would have to be complementary and consistent with existing provisions, and it would be easier therefore, to merge any new requirements with existing.