Public Consultation on the methodology for implementation monitoring and evaluation of the impact of the gas Network Codes and Guidelines on the internal gas market

Introduction

From 12 June 2015 to 10 July 2015 the Agency for the Cooperation of Energy Regulators (‘ACER’, ‘the Agency’) is running a public consultation on the future methodology for implementation monitoring and evaluation of the impact of the gas network codes and guidelines on the internal gas market.

Article 9 of Regulation (EC) No 715/2009 lays down rules for the Agency to monitor and analyse the implementation of the network codes and the Guidelines adopted by the European Commission. Under the article the Agency is responsible for assessing the effects of the codes in facilitating market integration, as well as on non-discrimination, effective competition and the efficient functioning of the market.

Based on Article 10 of Regulation (EC) No 713/2009 the Agency presents for public consultation the consultancy study from Cambridge Economic Policy Associates (CEPA), commissioned by the Agency, which proposes a methodology to be used for implementation monitoring and evaluation of the impact of the gas network codes and guidelines on the internal gas market.

In order to test and improve the outcome of the study the Agency invites stakeholders to share their views on this work, in particular on the proposed indicators. Well founded comments which will lead to improvements of the report outcome in particular the proposed indicators will be taken into account by CEPA in its final compilation of the study.
The Agency invites stakeholders to reply to the following questions.

Contact details

1 Family name, first name

2 Email

3 Name of organisation

Eurogs

4 Area of activity
   - Shipper or energy trading entity
   - Interconnector
   - Storage
   - LNG
   - Distribution
   - Producer
   - End-user
   - Transmission system
   - Other

5 Please specify

   Energy Association

Consultancy Study
6 Do you consider the methodology well founded? If not, what should be improved? (Chapters 1-4)

Eurogas finds the overall quality of the report acceptable, and CEPA is to be commended for the thoroughness of their approach. It is important that ACER has in place a rigorous monitoring system allowing them to meet the objectives of Article 6.6 of Regulation 713/2009. Eurogas, however, would like to emphasise that measuring the impacts of the Codes and Guidelines will give only some elements of the overall picture on market progress. ACER should interpret this evaluation in conjunction with dialogue with stakeholders, listening to their concerns and learning from their experiences of how the market is working for customers. In this context, progress towards the delivery of the Gas Target Model will be a main consideration. Furthermore, as mentioned by CEPA, any assessment should reflect the sum of the exercise based on a range of indicators and not prioritising any one indicator. It will be impossible to remove elements of subjectivity from the evaluation process and especially the assessment of the high-level indicators is likely to be qualitative. Therefore the outcomes have to be taken as an input but not a determinant of further regulatory measures.

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7 Do you consider the network code indicators fit for purpose? (Please describe for which set of indicators you provide comments.) (Chapters 5,7)

- The proposed sets of indicators are complete
- The proposed sets of indicators are incomplete (please suggest indicators to be added)
- The proposed sets of indicators are overcomplete (please suggest indicators to be removed)

9 Please add any comments and suggest indicators to be added

8 Please add any comments

Eurogas considers that the proposed set of indicators should be open to improvements and below suggests specific points to add or delete. Furthermore the success of using any set of indicators ultimately depends on the quality of data underpinning them. Commercially sensitive data has to be protected.
Add
CMP Guideline
- The enhanced secondary trading of capacity indicator proposed for CAM should be used also(?) for CMP as a more robust secondary market will reduce congestion.
- In view of the importance of coherent application of CMP procedures on both sides of an IP, a check on the progress of IPs achieving this goal.
Capacity Allocation Mechanisms (CAM).
- Progress towards elimination of mismatches in technical capacities at both sides of an IP.
- Harmonised timing of capacity auctions.
- Availability of harmonized products.
- % of capacity booked compared with capacity auctioned and with physical flows.
- To monitor the shift from balancing services to balancing the market, a measurement of the total balancing services in financial values and not only in volumes.
Balancing
- An additional specific indicator on transparency of the balancing mechanism should be Quality of published information compared with allocated quantities per portfolio

Tariff Structure Harmonisation (TAR)
(the final indicators can only be determined when the contents of the Code are established and therefore if indicators are proposed at this stage they should be reviewed when the code is final)
- Transparency on the TSOs Revenue (RAB, remuneration rates …)
- The magnitude of changes in tariff levels over a certain threshold
- TSOs compliance in publishing binding reserve prices for all standardized products before the auctions.
- The ratio between fixed and floating tariffs
- Cost reflectivity which should not only focus on cost allocation between domestic and transit and so this indicator needs to be expanded.
Remove

CMP 2, utilization of contracted capacity at IPs per shipper should be considered for removal as it relates more to the assessment of long term UIOLI conditions by shipper than the impact of the Guidelines.

Balancing
- Perhaps B 2, 3, and 4 could be revisited to assess if all three are needed.
11 Do you consider the **high-level policy goal indicators** fit for purpose? (Please describe for which set of indicators you provide comments.) (Chapters 6,7)

- The proposed sets of indicators are **complete**
- The proposed sets of indicators are **incomplete** (please suggest indicators to be added)
- The proposed sets of indicators are **overcomplete** (please suggest indicators to be removed)

13 Please add any comments and suggest indicators to be added

12 Please add any comments
We share CEPA’s expressed concerns about the validity of some of the high-level policy goals in relation to this exercise and the difficulties in their definition; The resulting conclusions in respect the impact of the Codes and Guidelines on the achievement of these goals will likely be more qualitative than quantitative and as mentioned in 1 can only serve to provide part of the picture. Furthermore many of the high-level policy goal indicators are already measured in the ACER/CEER MMR. The added value of trying to tie some back to the impact of the Codes has to be carefully weighed.

13 Please add any comments and suggest indicators to be added
Add
Eventually to assess liquidity covered to varying degrees in CO1-10, the relevant market must be defined. Otherwise the conclusions drawn from the data could be distorted; a liquidity indicator of the capacity market, e.g. volume of capacity bought and sold compared with physical flows.

The high-level goal of non-discrimination should be about ensuring a level playing field for all market players; removing barriers to entry is one aspect.

14 Please add any comments and indicators to be removed
Remove
Why is a simulation model offered as an indicator?

15 Do you agree with the performance evaluation of the indicators? If not, please suggest an alternative evaluation. (Chapter7)

Some of the indicators need to be presented to underline that what is sought is about improving performance and not just a collection of data sets reflecting usage. The aim is to see where progress is or is not happening and if any negative tendencies derive from the codes. When the indicators have been decided, a review process should be agreed, involving all stakeholders. This should provide an opportunity for the validity and relevance of the indicators to be checked against market developments and experiences with implementation.
16 Do you consider the data sources proposed by the consultancy study adequate? If not, please suggest alternative data sources. (Chapter 7)

17 Do you find the proposed implementation timelines of the methodology feasible? If not, please suggest how it can be improved. (Chapter 8)

18 Do you consider the description of the indicators in the Annex clear and the execution of the indicators easy to understand? If not, please suggest how it can be improved. (Annex A)

   The Annex is impressively comprehensive, although it is understood that Eurogas members will identify from their perspectives possible refinements.

19 Overall, do you consider that the methodology would be suitable to meet the objectives of Article 9 of Regulation (EC) No 715/2009?

   Overall, it should help ACER to fulfil the objectives set out in Article 9.1 second para (also 6.6 of 713/2009)

20 Are there any other views you would like to share with ACER in this context?

   At some stage a regional dimension should be considered for the assessment exercise as this is in line with the greater emphasis on regional markets in the Energy Union framework.

Background Documents
CEPA study (/eusurvey/files/4f0fdd27-3241-4363-bbe3-31a256747f1e)

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