Fields marked with * are mandatory.

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

GasTerra B.V.

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

Consultancy Study

6 Do you consider the methodology well founded? If not, what should be improved? (Chapters 1-4)
   Yes, we are happy with the quality of CEPA's investigation.

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)
In general, the proposed network code indicators can help to monitor the implementation and evaluate the effectiveness of the various network codes. However, we agree with a number of general conclusions from the CEPA study:
* no single indicator is likely to serve as a definitive measure of whether certain desired effects have been achieved or whether the network code generally is working well;
* indicators should be perceived as flags to be further investigated by the market monitor; they must be interpreted in conjunction with market fundamentals;
* access to quality data is essential for effective monitoring.

From our experience with the NW European market we would like to highlight just one example of market fundamentals that may have a fundamental impact on the implementation of network codes: the distinction to be made between low- and high-calorific gas supply and demand.

In more detail, regarding CAM, a desired effect/outcome is the increase in offered technical capacity, see also p.23. GasTerra would like to point out that not only the technical capacity at just one side of an IP should increase, but that technical capacities at both sides of an IP should be aligned, so that capacity bundles could be formed effectively. ACER should be aware of the fact that unbundled capacity is still being held by market parties that ideally should be bundled, which is not possible when technical capacities differ at both sides of an IP.

With respect to the monitoring of NC TAR we miss indicators measuring:
- a) the magnitude of changes in tariff levels over a certain threshold,
- b) the compliance of TSOs to publish binding reserve prices for all standardised products before the yearly auctions take place,
- c) the ratio between fixed tariffs and floating tariffs booked.

Furthermore we would like to emphasize that the monitoring of cost reflectivity should not just focus on cost allocation between domestic vs. transit.

With respect to the monitoring of NC CAM we miss indicators measuring:
- a) harmonized timing of CAM auctions across TSOs,
- b) harmonized products,
- c) occurrence of mismatches in technical capacities at both sides of IPs.

With respect to the monitoring of CMP, we miss an indicator measuring the coherent application of CMP procedures on both sides of IPs.
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)

12 Please add any comments

We do not consider the proposed set of high-level policy indicators as fit for purpose. We quote CEPA, saying that some of these high-level policy goals, in particular effective competition, may not be well defined. Then one cannot expect that indicators for these goals are well-targeted. Moreover, CEPA adds examples of indicators that may not measure adequately what they intend to measure (HHI, liquidity indicators, PSI, RSI). Other indicators, such as PCM, may have similar limitations. Finally, CEPA concludes that it is not possible to measure the isolated impact of each individual network code on the achievement of the high-level policy goals. Therefore, it would in our view be preferable to decouple the monitoring of implementation and effectiveness of the network codes from the monitoring of the high-level goals, which by the way is already covered by the outcome of the updated Gas Target Model. We note that the GTM has considered that monitoring of the high-level goals should predominantly take place at the regional (GRI) level, with an important role for the NRA's involved in those regions.

13 Please add any comments and suggest indicators to be added

15 Do you agree with the performance evaluation of the indicators? If not, please suggest an alternative evaluation. (Chapter 7)

- p.55 CMP indicators: the mentioned indicators don’t measure the effectiveness of CMP, but the usage of CMP.

- p.55 CAM.5 and CAM.6: GasTerra does not see how these indicators could say something about the success of CAM.

- p.58 ND.2: The goal of non-discrimination should not only focus on making new entrants possible. It is about making sure there is a level playing field in the market for all market parties, incumbents and new entrants.
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)

- CMP.2 and CMP.3 weakness (there was none identified): Seasonal influences is a reason which will give a large spread between the booked and used capacity.

- CAM.3, weakness: Assumption is that on both sides of IP the Technical capacity is equal. This is not always the case.

- CAM.5 en CAM.6, weakness (there was none identified): If technical capacities do not match on both sides of the IP and shipper has a LT booking but cannot purchase enough unbundled capacity on the other side of the IP, figures will give a wrong picture of the actual use.

- BAL.2, data sources: Data provided by REMIT is, to the opinion of GasTerra, not detailed enough to distinguish between normal trades and balancing trades on a portfolio of a non-TSO.

- BAL.3, calculation principles: If a TSO uses underground storages to balance the grid is this considered as linepack? No data on usage is available.

- Bal.3, potential correlations with other indicators: Looking at linepack at the beginning and the end of a gasday is no indication on how this linepack is used during the day for balancing and preventing WDBA.

19 Overall, do you consider that the methodology would be suitable to meet the objectives of Article 9 of Regulation (EC) No 715/2009?
20 Are there any other views you would like to share with ACER in this context?

We would like to put forward some additional observations:

* Since there is currently a considerable discrepancy between the various EU-regions in terms of progress towards a well-functioning integrated gas market, it is of great importance that indicators measuring the implementation and effectiveness of network codes will also be calculated on a regional level.

* As indicators must be interpreted in conjunction with market fundamentals, all stakeholders should be given the opportunity to provide their interpretation of the outcome of the monitoring. This should not just be the privilege of regulatory authorities and/or system operators.

* The monitoring and evaluation of the impact of NC’s should also tackle the negative outcomes and hurdles created by the codes, and not only their potential positive effects.

* CEPA concludes that access to quality data is essential, including commercially sensitive information. It should be stressed that protection of commercially sensitive information must obey to identical provisions as included in REMIT legislation.

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

Contact
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