ACER
Agency for the Cooperation of Energy Regulators

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

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.

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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)

8 Please add any comments

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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.
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9 Please add any comments and suggest indicators to be added

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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.
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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. (Chapter7)

> • p.55 CMP indicators: the mentioned indicators don't measure the effectiveness of CMP, but the usage of CMP.
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> • 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 ánd new entrants.

16 Do you consider the data sources proposed by the consultancy study adequate? If not, please suggest alternative data sources. (Chapter7)

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)

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•       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.
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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?

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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.
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Background Documents

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

Contact

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