



# **SOUTH GAS REGIONAL INITIATIVE WORK PLAN 2015-2016**

Enagás comments

24<sup>th</sup> October 2014



## **1 General comments**

1. Enagás welcomes the opportunity to provide comments on the public consultation about the work plan for 2015-2016 of the South Gas Regional Initiative.

### **Capacity allocation mechanisms (CAM)**

2. Enagás agrees with the proposed work to be done related to the CAM NC process foreseen for 2015-2016:

- *Continue working on early implementation of CAM NC, allocating yearly, quarterly, monthly, daily and within-day capacity products at the two VIPs. Preparing the first daily capacity auction in the region to be held in November 2015. The PRISMA platform could be used in all region depending on the cost level allocation to the TSO's.*
- *Participating in the ACER Roadmap for the early implementation of the CAM NC. The Roadmap is continuously reviewed and updated, coordinated by ACER and ENTSOG.*

3. However, some additional developments not directly included in the CAM NC but related to its implementation need to be carried out. Find below some ideas:

- **Secondary market.** Article 16 of Regulation 715/2009 states that network users shall be entitled to trade capacity in the secondary market through two possible ways: re-sell and sublet. Besides, CAM NC and Circular 1/2014 oblige that capacity allocated as bundled in the primary market should remain bundled in the secondary market and require that the secondary market is performed at the same booking platform than the primary allocation. Thus, further harmonization is needed within the SGRI by November 2015 in order to give network users the possibility to sublet and re-sell bundled capacity in the secondary market.
- **Harmonisation of the reference temperature.** The harmonisation of the reference temperature in S-GRI deserves further consideration if a veritable integration is to be achieved. Currently on the Portuguese system all the gas value chain is calculated at a reference temperature of 25°C, in accordance with the Interoperability and Data Exchange NC (INT NC); this is not the case on the Spanish and French systems. This situation may not only create inefficiencies in the allocation of capacities, but also in the nomination and renomination processes, in particular in the case of bundled capacities. Harmonising the reference temperature in the whole Region, according to the Interoperability Code, should be studied. The harmonisation of the reference temperature is also relevant for the integration of Spain and Portugal gas markets into an integrated gas market and the creation of Iberian gas hub in the region (MIBGAS).
- **Capacity calculation and maximization.** According to Article 6 of CAM NC by 4 February 2015 TSOs shall establish and apply a joint method in order to maximise the offer of bundled capacity through the optimization of the technical capacity at interconnection points. Besides, ACER has requested information about this point in the CAM roadmap. Enagás considers that

monitorization on the implementation of this article can be done within the S-GRI.

- Harmonised gas year. It is worth noting that Enagás and REN have not implemented a common gas year yet, work still need to be done on this point.
  - Licensing procedures. Network users need to be registered in each country in order to book capacity in each country, as it is stated in Circular 1/2014 of CNMC and in the Information Memorandum issued in February 2014 by Enagás and REN, which was validated by ERSE. Enagás would welcome further work on this issue in order to facilitate network users the book of bundled capacity.
4. Enagás welcomes the proposal to early implement the amended CAM NC related to incremental capacity within the S-GRI. However, the deadline included in the consultation (Q4 2015) seems to be quite challenging due to the following reasons:
- The amended CAM NC foresees that the first incremental auctions will be carried out by 2017 not by 2016 as stated in the consultation.<sup>1</sup>
  - It is not clear for Enagás when it is the amended CAM NC going to be approved by comitology. In principle, the amended CAM NC and the TAR NC will go to comitology together, if this is the case, Enagás foresees some delays taking into account the complexity of the TAR NC.
  - In order to carry out incremental auctions, a booking platform with the amendments to include the new auction algorithms needs to be in place unless Open Seasons are chosen instead of integrated incremental auctions. This is partially out of control for TSO who will have to rely on external developments.
5. Having said this, Enagás would recommend to postpone the deadline at least until March 2016.

### **Congestion management procedures (CMP)**

6. Enagás would like to note that the OSBB procedure is still under discussion. The OSBB procedure cannot be implemented earlier than 2016 taking into account that, in principle, the capacity to be oversubscribed will be offered as a daily product and rolling day ahead capacity auctions will start as from 1 November 2015.
7. Enagás understanding of the CMP Guidelines<sup>2</sup> is that OSBB and ST UIOLI are incompatible procedures considering that both have the same objective: free

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<sup>1</sup> "ENTSOG PROPOSAL on amending Commission Regulation (EU) No 984/2013 of 14 October 2013 on principles linked to the offer of incremental and new capacity in gas transmission systems". Available at:

[http://www.entsog.eu/public/uploads/files/publications/incrementalcapacity/INC00168-14\\_140513\\_Amendment%20Proposal%20CAM%20NC\\_For%20Public%20Consultation.pdf](http://www.entsog.eu/public/uploads/files/publications/incrementalcapacity/INC00168-14_140513_Amendment%20Proposal%20CAM%20NC_For%20Public%20Consultation.pdf)

up short-term capacity. Besides, NRAs should decide in a coordinated way whether to implement one or the other.

8. In words of the Commission<sup>3</sup>:

*"As set out [...] very prominently in the Impact Assessment, the two mechanisms of firm day-ahead use-it-or-lose-it and oversubscription and buy back are in principle alternatives to achieve the same objective of freeing up short-term capacity (possibly also longer term capacity in the case of oversubscription and buy back) at contractually congested IPs. Points 2.2.3.6 and 2.2.3.7 of the CMP Guidelines address the two distinct but related points of interaction between the application of the oversubscription and buy back and the firm day-ahead use-it-or-lose-it mechanism."*

*Point 2.2.3.6 of the CMP Guidelines allows the NRA to decide to apply a firm day-ahead use-it-or-lose-it instead of an oversubscription and buy back scheme on the basis of an analysis it has conducted as regards the relationship of the two measures."*

9. According to point 2.2.3. (6) of the CMP Guidelines:

*"On interconnection points where a firm day-ahead use-it-or-lose-it mechanism in accordance with paragraph 3 is applied, an evaluation of the relationship with the oversubscription and buy-back scheme pursuant to point 2.2.2 shall be carried out by the national regulatory authority, which may result in a decision by the national regulatory authority not to apply the provisions of point 2.2.2 at those interconnection points. Such a decision shall be notified, without delay, to the Agency and the Commission."*

10. Thus, Enagás would like to ask for clarification about the need for implementing the ST UIOLI procedure taking into account that TSOs have already started the discussions about how to implement OSBB in a coordinated way.

### Balancing

11. Enagás sent to CNMC, in September 2014, the justified request to fully comply with the provisions of this Regulation as of 1 October 2016 and this has been approved by CNMC.

12. On the other hand, Enagás, REN and TIGF are already cooperating on the implementation of the provisions related the Chapter IV – Nominations by 1 November 2015 in order to use the capacity products (daily and within-day).

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<sup>2</sup> "COMMISSION DECISION of 24 August 2012 on amending Annex I to Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks". Available at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:231:0016:0020:en:PDF>

<sup>3</sup> "COMMISSION STAFF WORKING DOCUMENT Guidance on best practices for congestion management procedures in natural gas transmission networks". 11<sup>th</sup> July 2014. Available at:

[http://ec.europa.eu/energy/gas\\_electricity/codes/doc/20140711\\_guidance\\_congestion\\_management\\_ngtn.pdf](http://ec.europa.eu/energy/gas_electricity/codes/doc/20140711_guidance_congestion_management_ngtn.pdf)

13. Finally, Enagás supports the proposal on the foreseen work to be done on balancing for 2015-2016:

*"III.1 Exchange information on the implementation of the Balancing NC in the three countries. Exchange experiences and updating of the process of merging the French balancing zones between PEG GRTgaz Sud and TIGF – foreseen in April 2015. Analyse the current configuration of national balancing zones and the integration in the region to help developing hubs. Regulators work in cooperation to progress on the harmonisation of balancing regimes."*

14. However, Enagás would like to highlight that a close cooperation between Regulators and TSOs will be required in order to progress on the implementation of the provisions of the BAL NC related to IPs and on the harmonisation of balancing regimes.

### **Interoperability and data exchange**

15. Enagás fully supports the work plan related to the interoperability and data exchange network code:

*"Definition of specific actions and measures to be taken in coordination with NRAs, TSOs and stakeholders in the region, on the harmonisation of the gas day, nomination and renomination procedures, data exchange and combustion reference temperature as the priorities by 1st November 2015."*

16. Enagás is already cooperating with TIGF and REN in order to achieve this goal.

### **Infrastructures. Projects of Common Interest**

17. Enagás fully agrees with the work plan related to this section and does not have any additional comments.

### **Hub development and market integration**

18. The consultation refers to the 2011 GTM as the basis for the proposals for integration. As informed by ACER during the last Madrid Forum an updated version of the Gas Target Model (GTM2) will be issued on 9<sup>th</sup> December 2014.<sup>4</sup>
19. Enagás would strongly recommend to ensure that the model adopted for the integration of the Spanish and Portuguese market is consistent with the GTM2.

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<sup>4</sup> ACER presentation "Review of the GTM and the integration of gas markets" at 26<sup>th</sup> meeting of the European Gas Regulatory Forum, Madrid, 15-16 October 2014. Available at: [http://ec.europa.eu/energy/gas\\_electricity/doc/forum\\_madrid\\_gas/meeting\\_026.zip](http://ec.europa.eu/energy/gas_electricity/doc/forum_madrid_gas/meeting_026.zip)

20. In the "Energy Regulation: A Bridge to 2025"<sup>5</sup> conclusions paper the following options were established for market integration:
- *"market merger: full merger with one or more neighbouring markets, i.e. balancing zones;*
  - *trading region: partial merger with one or more neighbouring markets (i.e. balancing zones); and/or,*
  - *satellite market: accessing the benefits of a neighbouring spot and forwards market by substantially "attaching" (assuming sufficient pipeline capacity) their own gas market to a neighbouring gas market."*
21. Enagás notes that implicit allocation has not been listed in this document as a possible model for market integration; instead the "Satellite market" model has been included. In the GTM Conclusions Paper issued in December 2011, the Trading Region and Market Area models were already mentioned as part of the first recommendation ("Enabling functioning wholesale markets"), while implicit allocation was only mentioned in the second recommendation ("Connecting functioning wholesale markets") and is not suited for integrating newly-created hubs.
22. The public consultation about possible models for integration of Spanish and Portuguese gas markets in a common Iberian Natural Gas Market launched by CNMC and ERSE strongly suggested that the implicit allocation of capacity was the preferred model. Enagás is concerned that this might lead to an inefficient and potentially costly outcome, if any, has asked for a Cost-Benefit Analysis to be performed before taking a decision and for a proper roadmap to be developed, and has advised that focusing on implicit allocation might delay works on a veritable integration of Iberian markets.
23. The current work plan 2015-2016 seems to confirm the negative consequences of this approach, since works on integration will be delayed. Actions on hub development and market integration between Spain and Portugal are (surprisingly) postponed until the last quarter of 2016, when works on "Preliminary analysis, impact assessment and roadmap design for the integration of Spain and Portugal gas markets into an integrated gas market in the South Region" will commence.
24. Enagás would recommend exploring as a short-term solution the concept of Satellite Market, and in the medium term the implementation of a Trading Region.

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<sup>5</sup> ACER, "Energy Regulation: A Bridge to 2025". Conclusions Paper Recommendation of the Agency on the regulatory response to the future challenges emerging from developments in the internal energy market. 19 September 2014. Available at: [http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/SD052005/Supporting%20document%20to%20ACER%20Recommendation%2005-2014%20-%20%20Energy%20Regulation%20A%20Bridge%20to%202025%20Conclusions%20Paper.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/SD052005/Supporting%20document%20to%20ACER%20Recommendation%2005-2014%20-%20%20Energy%20Regulation%20A%20Bridge%20to%202025%20Conclusions%20Paper.pdf)