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REGIONAL INITIATIVES STATUS REVIEW REPORT 2015



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Foreword



Alberto Pototschnig
Director

The Electricity and Gas Regional Initiatives were established by European Regulators in 2006 to promote regional cooperation as a stepping-stone towards the completion of the Internal Energy Market. In the almost ten years since then, these Initiatives provided a framework within which National Regulators, transmission system operators and other energy sector stakeholders could cooperate, with the support of the European Commission. More recently, such cooperation has been steered towards the voluntary early implementation of the provisions contained in the Network Codes and Commission's Guidelines developed according to the normative framework established by the Third Package.

In 2011, the European Council set 2014 as the target date for the completion of the Internal Energy Market. In this context, the Regional Initiatives were instrumental to the implementation of a two-tier strategy, whereby progress towards the Internal Energy Market was achieved on the ground, through the voluntary implementation of the Network Codes and the Commission Guidelines while the latter were still in the rule-making process. This strategy was particularly successful in the case of the electricity day-ahead market and in the allocation of capacity on cross-border gas interconnectors and resulted in tangible benefits being delivered to European energy consumers earlier than otherwise would have been the case.

While only a few Network Codes and Guidelines had entered into force by the end of 2014, the progress achieved by the early-implementation process made it possible to claim that the Internal Energy Market was substantially completed in several areas.

A significant acceleration in the process for the formal adoption of the Network Codes and Commission Guidelines occurred in 2015 and by the end of the year most of them were adopted, or were near to adoption. Also during 2015, the deadlock that has stalled the development of a EU-wide electricity intra-day market for almost three years was finally resolved through the intervention of the European Commission, which should be commended for this achievement. I hope that the Commission will maintain its focus on this project to ensure that the expected delivery date of late 2017 is met, or possibly brought forward.

Recent developments however imply that the role of the Regional Initiatives in promoting the early voluntary implementation of the Internal Energy Market provisions is coming to its conclusion in some areas. There, early implementation is giving way to formal implementation of the adopted binding provisions: the Regional Initiatives may still play a role in this new context, but other approaches are also possible.

In this respect, the electricity and gas sector will follow somewhat different routes. In particular, the Gas Regional Initiative will continue to operate, especially in the South and South-South East regions, where the focus will be on the implementation of the Network Codes and, more generally, on market integration towards the completion of the Internal Gas Market. In the case of the South-South East region, the involvement of the Energy Community Secretariat will ensure a wider

geographical focus in line with the objective of the Energy Union Strategy. Instead, the North-West region has been inactive for some time, but cross-border activities are going on and will continue at a bilateral-trilateral level.

In the electricity sector, instead, the implementation of the Network Codes and Commission Guidelines will be promoted and monitored through other means, including the Electricity Market Stakeholders Committee. Therefore, with 2015, the Electricity Regional Initiative ceased to operate.

At the same time, however, regional cooperation has received new impetus in the Energy Union Strategy, more as part of the “permanent” Internal Energy Market design than as a stepping-stone towards it. While the way in which this aspect of the Strategy will be shaped still needs to be defined, the experience gained through the Regional Initiatives process, and some of their governance arrangements, may turn out to be valuable for regional cooperation in the future.

In this context, this Status Review Report presents progress in the Electricity and Gas Regional Initiatives during 2015. The Report has been compiled by the Agency with the support of National Regulatory Authorities, especially those leading in the different Regions, to whom my gratitude goes. In presenting this Report, I would also like to thank all those who have devoted effort to the market integration process and congratulate them for the successes achieved so far. This is the last Status Review Report featuring an Electricity Regional Initiative part since, as indicated above, this Initiative ceased to operate with 2015.

Implementing the binding provisions contained in the Network Codes and Commission’s Guidelines is the new challenge facing the energy sector. The Agency and National Regulatory Authority will support and monitor this implementation and I trust that we will be able to count in the future, as it has been the case until now, on the constructive attitude of all relevant stakeholders to ensure that EU energy consumers can fully enjoy the benefits of a well-integrated, competitive and secure Internal Energy Market.

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Executive summary

THE ELECTRICITY REGIONAL INITIATIVE (ERI)

Following its go-live in the North-West and South-West Europe regions last year, the European Price Coupling was further extended in 2015 to the borders of Northern Italy, opening the door to the Central-East and South-East Europe regions.

On 24 February 2015, the European Price Coupling (EPC) was successfully extended to the borders of Northern Italy. With this move, the EPC now covers 85 % of Europe's electricity demand and extensions to the borders of Austria and Croatia with Slovenia are under consideration for 2016. In parallel, project parties have started reviewing current arrangements and preparing formal processes such as the Nominated Electricity Market Operator (NEMO) designation to comply with the Capacity Allocation and Congestion Management Guideline (CACM GL), which entered into force on 14 August 2015.

In 2016 national regulatory authorities (NRAs), transmission system operators (TSOs) and power exchanges (PXs)/NEMOs will face a challenging year, as submissions and approvals of important elements such as a plan for the market coupling operator's functions, a set of requirements for efficient capacity allocation, general provisions on cost recovery and more are to be delivered in line with the deadlines set by the CACM GL. At the same time, ensuring and monitoring the well-functioning of the solution in place, as well as preparing further extensions, remain essential tasks.

The signing of the contract between the involved PXs and the selected IT service provider clears the way for the development of the European cross-border intraday solution.

On 9 June, the PXs involved in the so-called Cross-Border Intraday (XBID) project announced that they had signed a contract with the information technology (IT) service provider Deutsche Börse AG, following the signing of an early-start agreement in February 2014. This key milestone was eventually achieved following the cost comfort provided by NRAs and the pressure exercised by the European Commission and many stakeholders. The project has entered the development phase which is expected to be completed by spring 2016, followed by a one-year testing. In parallel, project work continues to meet the requirements of the CACM GL, ensuring adequate framework for PXs'/NEMOs' and TSOs' involvement, which have been out of the project so far.

As for the day-ahead timeframe, NRAs, TSOs and PXs/NEMOs will, in 2016, face many deliverables, deriving from the CACM GL. In addition, they have the difficult task to define a method to price capacity in a continuous trading framework by August 2017.

The implementation of the European Harmonised Allocation Rules represents a double success: the first all-NRA approval and the early delivery of a key target model element.

The European Harmonised Allocation Rules (HAR)¹ were approved by NRAs at the end of 2015 and are now already applicable to products allocated for 2016. This coordinated approval represents to some extent the first "all-NRA approval" as described in the CACM GL and the Forward Capacity Allocation Guideline (FCA GL). In addition, the HAR along with a Single Allocation Platform (SAP) are the main deliverables described in the FCA GL to simplify and facilitate further the ac-

¹ The HAR consist of a main body, applicable to all borders, and a set of annexes to introduce regional or bilateral specificities. These annexes were necessary within this voluntary process to enable all NRAs to agree on time.

cess to Transmission Rights (TRs). On the latter, the Joint Allocation Office (JAO) created by 20 TSOs on 1 September 2015 and already allocating 2016 products, represents an important milestone towards the implementation of the SAP.

With the entry into force of the FCA GL in mid-2016, TSOs will have to submit a fully compliant version of the HAR. Ongoing discussions with stakeholders aim at speeding up the process to apply this new version from 2017 onwards. A major challenge is the possible introduction of Financial TRs – obligation (FTRs – obligation) which implies very different features compared to the ones implemented so far.

The successful launch of Flow-Based Market Coupling in the Central-West Europe region constitutes a major achievement towards the target model set for capacity calculation.

After years of development and the last-minute postponement in November 2014, the Flow-Based Market Coupling (FBMC) in the Central-West Europe (CWE) region eventually went live on 20 May 2015. The very first implementation of this new capacity calculation method in Europe represents a key milestone towards further implementation throughout Europe. In the Central-East Europe (CEE) region, the flow-based project, the so-called North-West Europe (NWE)-CEE FBMC project, could be placed on hold after limited progress due to the disagreement on how to consider the Austria–Germany border in the capacity calculation method. In the Central-South Europe (CSE) region, the D-2 Net Transfer Capacity (NTC) coordinated capacity calculation method is being tested since November 2015 and should go live in 2016.

As for the day-ahead timeframe, NRAs, TSOs and PXs/NEMOs will, in 2016, face many deliverables deriving from the CACM GL. In parallel, the impact of the new capacity calculation method on prices, security of supply etc. will need to be investigated. The implementation of the CACM GL will hopefully allow the NWE-CEE FBMC project to avoid the foreseen deadlock, although this may take some time. In the CSE region, a successful full live test is necessary for a go-live in 2016.

Balancing pilot projects have progressed and improved their transparency but developments are lagging behind schedules.

The Balancing Stakeholder Group (BSG) has proved to be a useful forum where the Agency and the European Network of Transmission System Operators for Electricity (ENTSO-E) inform and consult market participants on the pilot projects. Although some progress has been achieved, delays have already occurred which may prevent a smooth implementation of the Network Code on Electricity Balancing (EB NC) once it enters into force.

In 2016, several important elements should be delivered, including the definition of the Coordinated Balancing Areas (CoBAs).

THE GAS REGIONAL INITIATIVE (GRI)

The South and South South-East Regions achieved some important results in 2015; a more focused and efficient approach can enhance performance.

Also in 2015, the Gas Regional Initiative (GRI) continued working on early implementation of the network codes (NCs) at regional level, on regional market integration, as well as on exchange of information and best practices between NRAs, TSOs and stakeholders within the regions. The GRI landscape has evolved since its creation in 2006. At present, there are only two active regions: the South and the South South-East (SSE). The latter now also includes the Energy Community (EnC). The former North-West (NW) region continued to remain inactive in 2015.

The 27th Madrid Forum (October 2015) concluded that, despite the results achieved, the future role of the GRI needs to focus on more specific deliverables as stepping stones towards the completion of the Internal Energy Market. The first follow-up actions to this call are covered by this report, namely actions from the 28th Regional Coordination Committee (RCC) and 19th Stakeholders Group (SG) meetings of 19 November 2015 in Bucharest.

With this in mind, the SSE region will revise its Work Plan in 2016 in order to concentrate the limited resources available on a set of pilot projects. Projects will have to set clear deliverables, deadlines, and definitions of responsibilities. Each project should be clearly assessable during its implementation. The project descriptions should also mention the factors that may hamper their realisation.

The GRI provides a valuable forum to share information, experiences and best practices, and find technical solutions in a flexible and inclusive setting.

That said, NRAs, TSOs and stakeholders from the SSE GRI clearly reaffirmed the high value of the Initiative as a forum to share experiences and best practices, and to address issues that would otherwise be difficult to deal with within the scope of the regular activities at European level.

In the South region, the three participating countries have a similar level of development in terms of gas markets and as such, they face similar challenges. Thus, the Initiative there provides for a more informal and focused working environment where technical solutions are developed and implemented.

The Agency underlines the value of the flexibility provided by the voluntary bottom-up approach adopted by the GRI. In this framework, each region can freely organize itself, select its priorities and targets, and reach them in the way it prefers, according to the needs of the participating NRAs, TSOs and stakeholders.

Main achievements: successful early implementation of the NC CAM, progress on BAL, CMP, transparency, and infrastructures; some delays on market integration.

In terms of the progress made in 2015, both regions completed the pilot projects for the early implementation of the Network Code on Capacity Allocation Mechanisms (CAM NC). Despite the applicability date of 1 October 2015, in the SSE region, the implementation of the CAM NC has not yet been completed. Thus, the GRI may be a useful forum to help finding practical solutions to the pending issues. Both regions made progress in the early implementation of the NC on Gas Balancing (BAL NC), even though, as a result of the adoption of interim or transitory measures, Member States will begin applying the Code at different dates up to 15 April 2019. Both regions have worked on the application of the Congestion Management Procedures (CMP) rules, with the South GRI achieving more tangible results. The same is true of the early implementation of the NC

on Interoperability and Data Exchange (IO NC), where a pilot project in the SSE region will be discontinued to avoid overlapping with similar activities undertaken at other levels in Europe.

In addition to (early) implementation of NCs, the South region has successfully continued its regular activity with regard to infrastructure. On the other hand, the market integration was progressing more slowly towards the end of 2015, on account of pending political decisions, following stronger progress earlier in the year.

The SSE region has achieved results in the pilot projects tackling market transparency and third package implementation. Regarding market integration there has been some theoretical progress with regard to the integration in the CEE, while the Visegrad Four (V4) projects is highly dependent on political decisions and has not progressed.

Going forward, the GRI will still be an important forum focused on NCs implementation and market integration.

In contrast to the Electricity Regional Initiative, which ends 2015, the GRI will continue its activity. The Agency is of the view that the GRI still has to focus on: promoting and facilitating the early implementation of the remaining NCs;

- promoting and facilitating early implementation of the remaining NCs;
- completing implementation of the NC provisions that still present some challenges in the regions;
- fostering market integration by monitoring and facilitating market integration projects, in line with the Gas Target Model implementation;
- considering infrastructure-related activities, if resources are sufficient and if there is no overlap with the existing regional forums on infrastructure issues;
- Preserving its value as a regional forum for discussing EU regulatory developments, and sharing experience and best practices among NRAs, TSOs and other stakeholders.

BACKGROUND OF THE REGIONAL INITIATIVES

The regional initiatives (RIs) were set up in 2006 by NRAs with the support of the European Commission to foster the integration of energy markets at a regional level as a step towards the completion of the Internal Energy Market (IEM). The RIs are intended to complement the process of development and implementation of framework guidelines (FGs) and NCs by following a bottom-up approach that brings together NRAs, TSOs, the European Commission, Member States, PXs, gas and electricity market participants and other relevant stakeholders across seven electricity and three gas regions. In 2015, the EnC's contracting parties and its secretariat joined the GRI SSE, given how important it is that the internal gas market also functions smoothly across borders between the European Union (EU) and other EnC members in the region.

The RIs have so far delivered valuable achievements and tangible results for both electricity and gas, mainly through the (early) implementation of NCs and other EU rules via pilot projects and through the exchange of information and good practices. They have also contributed to the development of a common vision – a target model for the IEM – and have allowed greater cooperation between the Agency and the EnC.

In the electricity sector, with the entry into force of the CACM GL in August 2015, early-implementation projects launched and followed by the ERI for the day-ahead and intraday timeframes as well as for the capacity calculation have turned into formal implementation projects which must comply with the requirements and deadlines set in this new regulation. The same will happen to early-implementation projects linked to the forward (long-term) timeframe with the entry into force of the FCA GL, expected by mid-2016. Finally, in 2017, the balancing pilot projects will also turn into formal projects with the entry into force of the EB NC. In conclusion, some ERI projects have already turned into formal ones and the others should follow soon, which will end this voluntary process in electricity.

Consequently, this is the last Regional Initiative Status Review Report for electricity. From now on, progress and obstacles experienced by the relevant projects will be reported through other channels, in particular the Market Electricity Stakeholder Committee² (MESCC).

In the gas sector, even though the CMP GL, CAM NC and BAL NC have become applicable and should in theory have been fully implemented by now, there is still room for improvement, and a significant part of the work still needs to be done in various areas. Until the NCs have been fully implemented, the Gas Regional Initiative will play its part in achieving progress towards completing the IEM.

The Gas Regional Initiative will thus also continue its activity beyond 2015, adapting its focus to the specific market needs of its participants in the different active regions.

² More information about the Market Electricity Stakeholder Committee can be found here: <https://www.entsoe.eu/major-projects/network-code-implementation/stakeholder-committees/Pages/default.aspx>

1. THE ELECTRICITY REGIONAL INITIATIVE

1.1 From a common vision to concrete projects

The target model developed through the ERI has gained further credibility and strength through its transposition into the CACM FG for electricity adopted by the Agency in July 2011. In line with the new vision for RIs promoted by the Agency, the target model has since been transposed into four Cross-Regional Roadmaps applicable to the whole of Europe³, each one being devoted to a particular aspect of the common vision. The adoption of the Framework Guidelines on EB in September 2012 triggered in 2013 the selection of pilot projects for implementing the described vision.

1.2 Review of progress made to date in the ERI

1.2.1 ... in the implementation of the day-ahead target model

The target model for the day-ahead timeframe (the EPC) ensures that the cross-border capacities made available to the market by TSOs are used in the most efficient way⁴.

Following impressive progress made in 2014 (the go-live of the Multi-Regional Coupling (MRC) project in the NWE region followed by the extension to the South-West Europe (SWE) region and the go-live of the 4 Markets Market Coupling (4M MC) project)⁵, the main achievement in 2015 was the extension of the MRC project on 24 February to the CSE region through the France–Italy and Austria–Italy borders. With this extension, 22 Member States, representing 85 % of Europe’s electricity demand, are now coupled (at least partially, as Poland is) and capacity allocation is done implicitly for two-thirds of the European borders in question (see Figure 1.1 representing the current status of EPC implementation).

3 As an exception, in acknowledgement of the challenges in adapting the Single Electricity Market between Ireland and Northern Ireland to the Electricity Target Model, the parties involved were given until 31 December 2016 to implement the Target Model and agreed on a dedicated roadmap sent to the Agency on 23 May 2013. More information on this project is available here: http://www.allislandproject.org/en/TS_Current_Consultations.aspx?article=dac49400-fed7-41e7-ad9c-17c8ea4c65f4

4 Information about the target model for the day-ahead timeframe is available on the following ACER web page: http://www.acer.europa.eu/Electricity/Regional_initiatives/Cross_Regional_Roadmaps/Pages/1.-Market-Coupling.aspx

5 Further information about these achievements is available in the 2014 report: http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Regional%20Initiatives%20Status%20Review%20Report%202014.pdf

To make this extension possible, the parties addressed two important issues.

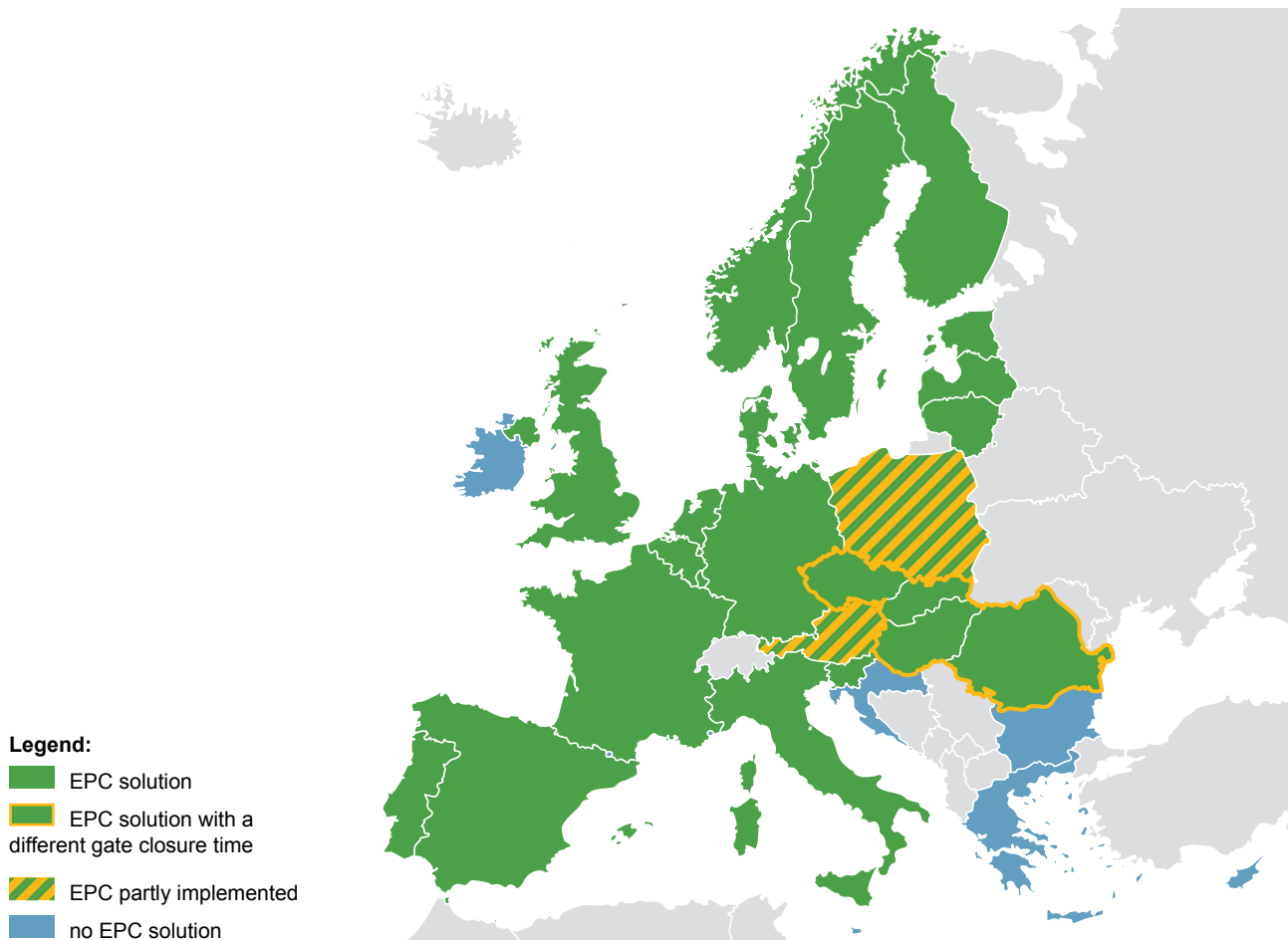
- Ensuring the ability of the algorithm, called Euphemia, to handle the additional complexity of the Italian market design: although improvements to the current version of Euphemia (v. 9.1) might be needed to extend the EPC further to the remaining EU borders, Euphemia has proved so far to be robust enough to accommodate the design specificities of the Italian market.
- Designating the PX in charge of MRC implementation on the Austrian border: the issue was pending for some time, but since the start of the Market Coupling EPEX Spot has fulfilled this role.

Some other achievements were recorded during 2015.

- Introduction of the LitPol and NordBalt cables into the market coupling: on 8 December, LitPol, the new power HVDC interconnection between Lithuania and Poland was introduced into the MRC project. While it was planned that NordBalt, the new submarine cable connecting Lithuania and Sweden, would be introduced at the same time, additional tests are needed: system test started the first week of 2016 and trial operation is planned to start on the third week of 2016. During the trial operation, the capacity will be offered to the market. The procedures applied for these cables are similar to those used since 2010 for the SwePol link cable, which connects Poland and Sweden.
- Preparation for the go-live of the Croatian power exchange (CROPEX): it is in the final stage prior to the launch of the Croatian Day Ahead Market (DAM), expected on 10 February, in full compliance with the Price Coupling of Regions (PCR) algorithm Euphemia, the PCR Matcher-Broker (PMB) system and MRC procedures. CROPEX became an observer of the MRC on 7 July 2015 and later received all PCR/MRC approvals. At first, CROPEX will function in an isolated mode, i.e. with no market coupling applied, but discussions are ongoing with Slovene counterparts: on 6 October, the Slovene and Croatian NRAs sent a request for their TSO and PX to introduce market coupling via the MRC/Italian Border Working Table (IBWT) project. In addition, following the formal request to join the NWE-CEE FBMC Project by Croatian parties with effect from November 2015, all involved TSOs and PXs have started preparatory work.
- Preparation for the go-live of the Bulgarian power exchange: IBEX, the Bulgarian power exchange, became a member of the PCR on 23 November and a member of the MRC in December. Following a successful testing period during December 2015, the announced go-live date for the IBEX day-ahead market is 19 January 2016. This opening allows IBEX to be operational as a part of the MRC, but in an isolated mode.

- Preparation for the Austria–Slovenia market coupling: both markets being already coupled with Italy, the remaining elements are contractual, such as the inclusion of this border in the IBWT project, and related to testing, which should be coordinated with that for the Belgium–Luxembourg coupling as to socialize the PX costs of the tests. The go-live window for coupling the Austria–Slovenia border is Q3 2016.
- Preparation of the Belgium–Luxembourg market coupling: the Belgium–Luxembourg/Germany interconnector project aims to integrate a new phase-shifting transformer located in Luxembourg. Because of the local grid topology, this extension enables the introduction of a new electricity border between Belgium and Luxembourg (Luxembourg belongs to the German bidding zone). Project parties are currently discussing design and implementation issues in different working groups (operational, technical, commercialisation and legal). This includes coordinating the phase shifter in daily operation, and distributing congestion income between TSOs. The Belgium–Luxembourg border is expected to be taken into account in the CWE market coupling from Q2 2016.
- Implementation of a Single Electricity Market on the Irish island: the regulatory authorities of Northern Ireland and Ireland continue to lead the project to put in place arrangements for market coupling. This involves making significant changes to the current market arrangements. Ireland and Northern Ireland have designated a NEMO, and the implementation of the new market arrangements, the Integrated Single Electricity Market (I-SEM), is expected in Q4 2017.

Figure 1.1: Status of the implementation of the EPC



Below are the main topics which NRAs are investigating to ensure the proper functioning and extension of the MRC/EPC as well as its alignment with the CACM GL.

- **Monitoring the algorithm's performance:** following the extension to Italy's northern borders, market participants have complained about the increased number of 'paradoxically rejected bids', i.e. orders which are rejected although they are (partly) in the money. Project parties have provided several explanations of this phenomenon as well as indicators to measure algorithm performance. They also mentioned possible improvements to the algorithm, and trading changes, such as the limitation of complex orders to alleviate the computational difficulty. This topic is of utmost importance for NRAs, as they will soon have to decide whether the current solution, including the algorithm, is suitable for the whole of Europe.
- **Harmonising floor and ceiling prices at EU level:** within the NWE area, prices can fluctuate between –EUR 500 and +EUR 3 000, while on the Iberian market they vary between EUR 0 and EUR 180. The common proposal to NRAs in the framework of the CACM GL should tackle this issue.

- Lacking coordination in the handling of losses on direct current (DC) cables: since 18 November, a loss factor has been introduced in the NorNed cable. The table below shows the current status.

Cable	Loss factor	Comments
IFA (UK-FR)	Yes	
Brinted (UK-NL)	Yes	
NorNed (NO-NL)	Yes	
Baltic cable (DE-SE)	Yes	
Kontek (DK2-DE)	No	Under consideration
Skagerak (NO-DK1)	No	Under consideration
Kontiscan (DK1-SE3)	No	Not foreseen
SE-FI (SE3-FI)	No	Not foreseen
Estlink (FI-EE)	No	Not foreseen
SwePol (SE4-PL)	No	Not foreseen

Decisions are still taken at local level, since no consensus has emerged on a methodology to assess the impact of introducing such a factor. The CACM GL provides some basis for future harmonisation, since 10 months after the approval of capacity calculation regions, TSOs will need to propose a common capacity calculation methodology at regional level, which also needs to include harmonised inputs such as loss factors.

The entry into force of the CACM GL clarifies the governance and cost-sharing arrangements. In addition to the topics mentioned above for which the CACM GL requires coordination and harmonisation, NRAs have also faced decisions on other aspects. Some of them had to be taken shortly after the CACM GL's entry into force, such as the designation of NEMOs by December. In addition to these two elements, NRAs are also working intensively to deliver by May 2016 their decision on the determination of capacity calculation regions, which is a prerequisite for other elements of the CACM GL and of other network codes. When working on the CACM GL implementation, NRAs and project parties, with the involvement of market participants, must ensure that all elements fit together and support the ongoing implementation of the target model without jeopardising the progress achieved. There are also other difficulties to tackle, such as the needed political agreement to extend the EPC to Switzerland or the level of cross-border capacity made available to the market, which has dramatically fallen over the last few years in some cases.

1.2.2 ... in the implementation of the intraday target model

The target model for the intraday timeframe allows trade on a continuous basis across markets as close as possible to the delivery time⁶.

This section presents the progress and obstacles overcome in 2015 by the pilot project, the so-called XBID project, to implement implicit continuous trading within the NWE+ region⁷ before its extension at European level. Owing to several problems, the XBID project suffered numerous delays from the outset and did not meet the original 2014 launch deadline. According to the final project plan, the XBID project is scheduled to go live in Q3 2017.

As a reminder, following the selection of a service provider, the PXs negotiated an Early Start Agreement (ESA), which covers the pre-contractual phase of the project whereby all parameters of the solution are agreed upon. The contractual negotiations around step 1 of the ESA, between the PXs and the successful XBID vendor, Deutsche Börse AG, were finally completed at the end of 2013. The completion of step 2⁸, through the finalisation of contracts between NWE+ PXs and Deutsche Börse AG, was achieved in April 2015.

In parallel to and after the signing of the contract during 2015, the XBID project has made advances on several issues such as defining the functional specifications of the trading solution, ordering hardware for the testing phase, the start of the design and development phase and an agreement on a new performance improvement option.

While project parties worked on the completion of the relevant project documentation, the NRAs of the NWE+ completed a Statement of Principles governing aspects of cost recovery, including conditions imposed on and expectations of the project parties, for the XBID project on 31 March 2015, in response to NWE+ PXs and TSOs requesting cost comfort for the development, testing and go-live phases of the XBID project.

6 Information about the target model for the intraday timeframe is available on the following ACER web page: http://www.acer.europa.eu/Electricity/Regional_initiatives/Cross_Regional_Roadmaps/Pages/2.-Cross-border-Intraday.aspx

7 The NWE+ region consists of the North-West Europe region, i.e. Belgium, Denmark, Finland, France, Germany, Great Britain, Luxembourg, the Netherlands, Norway, Poland and Sweden, plus the following countries: Austria, Switzerland, Portugal, Italy and Spain.

8 The ESA should be seen as a preliminary contract as well as contract negotiations. Originally the ESA steps were expected to last four months (step 1) and then 12 months (step 2), with step 2 expected to be signed in December 2014.

Because of the continuing delays experienced by the project, the Florence Forum on 20 and 21 May 2014 invited the project parties to analyse options for interim solutions that allow short-term improvements to the status quo, notably at borders where intraday trade is currently underdeveloped, provided these interim solutions do not jeopardise or further slow down the pilot project. As a result, Early Local Implementation Projects (also referred to as ‘quick wins’) have been planned on the Belgium–France and Belgium–Netherlands borders for 2016.

In parallel with the development of the XBID system, 12 local implementation projects (LIPs) are being developed to concretely implement the intraday continuous trading system on specific borders (see Figure 1.2).

Figure 1.2: Local implementation projects for the intraday pilot solution

	LIP	Participants
1	Nordic	Fingrid, EnDK, SvK, Statnett, NPS
2	DK2/DE (Kontek)	EnDK, 50Hz, NPS, EPEX
3	DK1/DE, DE/NL	EnDK, TenneT NL&DE, Amprion, EPEX, APX/Belpex, NPS
4	NorNed	Statnett, TenneT NL, APX/Belpex, NPS
5	FR/DE, CH/DE, CH/FR, DE/AT	Amprion, TransnetBW, APG, RTE, Swissgrid, EPEX, NPS, Tennet DE
6	NL/BE	Elia, TenneT NL, APX/BELPEX
7	BritNed	BritNed, NG, TenneT NL, APX
8	FR/BE	RTE, Elia, APX/BELPEX, EPEX
9	FR/ES	RTE, REE, EPEX, OMIE, REN
10	IFA	RTE, NG, NPS, EPEX
11	AT/CH	APG, Swissgrid, EPEX
12	ES/PT	REE, REN, OMIE, RTE, EPEX



As described above, progress within the pilot project is difficult for various reasons and important challenges still lie ahead.

- The demonstration of an efficient and reliable solution: since the project is still undergoing change requests, i.e. amendments to the initial negotiated solution, and since some other negotiating points between PXs and Deutsche Börse AG remain open, it is hardly possible to draw a full picture of the likely functioning of the future XBID system. The main challenge is to ensure that the XBID system, which is an interim solution, will be effective and will be able to achieve all functional specifications in an acceptable way for the market and within the planned budget limits. Moreover, the XBID system will need to be able to evolve into a system that can take on board all the target model requirements and can cope with the accession of all European markets as requested by the CACM GL.
- The development of the LIPs: as stated above, TSOs and PXs should prepare, for each border, the timelines and milestones for implementing their LIPs. An early indication from the project parties is that go-live for intraday is seen not as a one-date, all-at-once live scenario, but as a staggered process on individual borders until Q3 2017. To achieve this, the local processes have to be made ready well in advance.
- The inclusion of the non-NWE+ markets: following the entry into force of the CACM GL, all EU Member States (MSs) must join a single solution for intraday trading. The XBID being identified as the future EU solution, some non-NWE+ members have already requested information about how to join the project. To avoid negative impacts on the planning, the project members have proposed to grant full membership to newcomers only after XBID go-live has been secured, i.e. after July 2017 according to the current plan. The European Commission expressed its support for this proposal during the Florence Forum on 4 and 5 June 2015 and clarified that it considers this accession process compliant with the CACM GL. Project parties have still to provide details and timings of this accession process.

With the entry into force of the CACM GL, some of the former agreements and binding requirements from NRAs disappear and are replaced by the CACM GL legal requirements. This includes issues such as cost recovery, the governance of PXs and TSOs, and the accession of non-NWE+ markets to the XBID project as mentioned above. The target solution to be developed after the interim XBID solution is delivered will need to offer additional features, in particular capacity pricing and intelligent bids, and support flow-based market coupling on the intraday market.

1.2.3 ... in the implementation of the forward target model

The target model in the forward timeframe, also called the long-term timeframe, aims to give market participants an opportunity to hedge themselves against congestion costs and day-ahead congestion pricing through a single access point and a harmonised set of rules for long-term TRs where financial markets do not enable them to do so in an efficient manner⁹.

In 2015, significant steps were achieved towards a SAP and HAR with the creation of the JAO, replacing two former regional platforms, and the first version of harmonised rules for all borders allocating physical TRs (PTRs) and FTR options, except the Bulgarian ones (the FTRs allocated within Italy are FTR obligations). These achievements are illustrated in the graph 1.3 further below.

- Creation of the JAO: on 24 June 2015, the general assemblies of the Central Allocation Office and the Capacity Allocation Service Company, the two largest regional allocation offices for cross-border electricity transmission capacities in Europe, approved the merger agreement to create the JAO. This is a joint service company of 20 TSOs from 17 countries which performs the yearly and monthly (in some cases also daily) auctions of TRs on 27 borders in Europe and acts as a fall-back for the EPC through 'shadow auctions'. The new allocation platform was established on 1 September 2015 in line with expectations and performed auctions for the 2016 annual transmission rights.
- Approval of the HAR: in March 2015, ENTSO-E launched a public consultation on the HAR, which is composed of a main body establishing a complete set of rules for all borders and regional or border-specific annexes which introduce specificities in relation to the main body. Taking into account the contributions received and the NRAs' feedback, ENTSO-E finalised the HAR and each TSO individually submitted the document to its NRA for approval during the summer. Each NRA launched its approval process; most of them ended in October but some were not finalised until the beginning of December¹⁰. The TSOs managed to hold the auctions for the 2016 annual transmission rights on time for all the borders in question.

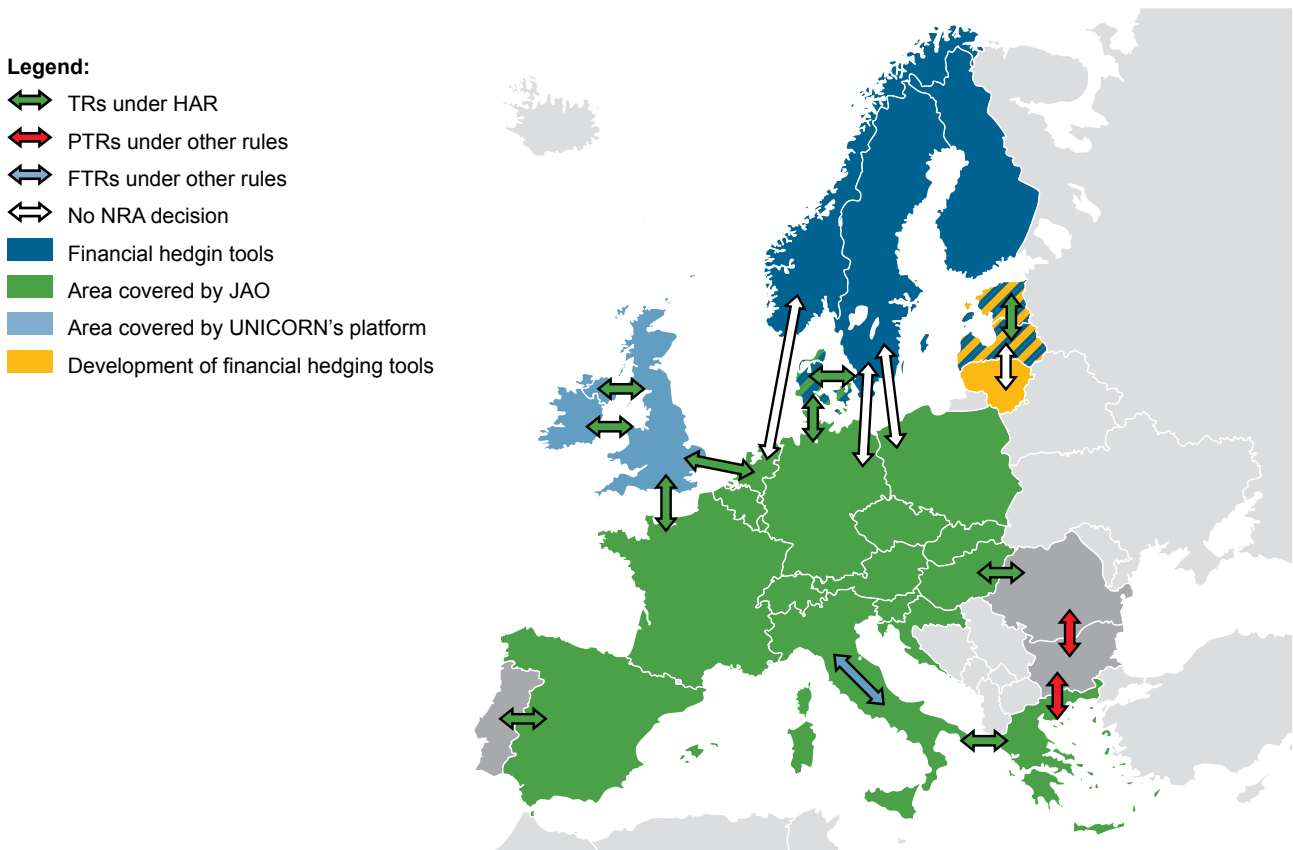
9 Information about the target model for the forward timeframe is available on the following ACER web page: http://www.acer.europa.eu/Electricity/Regional_initiatives/Cross_Regional_Roadmaps/Pages/3.-Long-Term-Transmission-Rights.aspx

10 Although the Polish NRA, URE, is still formally assessing the HAR, in the period up to completion of the process the Polish TSO will allocate forward capacity in coordination with the neighbouring TSOs in 2016

Along with these European developments, a number of regional decisions were also taken.

- Implementation of FTR options on Belgium’s borders: the competent NRAs on the Belgian borders approved the replacement of PTRs with FTR options for 2016 auctions. This type of product is expected to improve the day-ahead results and dispatch, as more capacity is handled by the flow-based market coupling than in a situation with PTRs. NRAs will monitor the impact of this change on three aspects in particular, following the caveats raised by several market participants: system adequacy for the Belgian system, the flow factor competition and hedging against unbalanced prices. Should FTRs worsen the situation compared with PTRs, NRAs could revisit their decision.
- Decision on the allocation of TRs between Great Britain and I-SEM: in line with the derogation granted to Ireland and Northern Ireland under CACM, and the SEM Committee (SEMC) decision under the high-level design, and in coordination with Ofgem, FTRs will be introduced between Great Britain and I-SEM in Q4 2017. Following a consultation launched in September, the SEM Committee decided on 14 December that FTR options should be offered at I-SEM go-live.

Figure 1.3: Status of the implementation of a SAP and HAR



Following the adoption of the FCA GL on 30 October 2015, a new firmness should be introduced in the next version of the HAR, which will help reduce the number of annexes. The FCA GL provides clarity on the next steps to follow on borders and cables where NRAs have not taken a formal decision regarding the allocation of TRs. Market participants will also be more involved in the choice of products thanks to the process described in the FCA GL for the regional design of long-term TRs, and will benefit from the formal establishment of the SAP. Progress on this last point is already expected in 2016 with the common proposal of the TSOs for a set of requirements and for the establishment of the SAP.

1.2.4 ... in the implementation of the target model for the capacity calculation method

The target model specifies that TSOs need to apply a flow-based (FB) method in highly meshed and highly interdependent grids, while in other situations an available transfer capacity method is suitable. Whatever the method chosen, a common grid model must be used¹¹.

In 2015, a major milestone was reached with the go-live of the CWE FBMC project on 20 May following the NRAs' final approval. This represents an important step towards the implementation of the target model, as it should provide both confidence and valuable experience to the other regions where this method should also be implemented.

To achieve this milestone, the parties involved addressed the following issues.

- The CWE NRAs' approval on 23 April 2015: the CWE FBMC project completed work on the CWE FBMC methodology during the first months of 2015 and submitted the final documents to the CWE NRAs for approval on 13 March 2015. The CWE NRAs had made their decisions by 23 April 2015. The CWE FBMC went live with a first trading day on 20 May (first delivery day: 21 May).

¹¹ Information about the target model for the forward timeframe is available on the following ACER web page: http://www.acer.europa.eu/Electricity/Regional_initiatives/Cross_Regional_Roadmaps/Pages/Capacity-Calculation.aspx

- The CWE NRAs' request for further investigations.
 - Each individual decision of the CWE NRAs included a common 'CWE NRAs Memorandum of Understanding of the Implementation of Flow-Based Market Coupling in the CWE Region' on the issue of flow factor competition¹². In Q2–Q3 2015, CWE NRAs and the CWE FBMC project started the process of appointing a consultant to carry out the necessary studies of flow factor competition. TSOs are expected to launch a tender as soon as possible.
 - The CWE NRAs' common 'Position Paper of CWE NRAs on Flow-Based Market Coupling' presents the common position of CWE NRAs on the current FBMC as well as on the requirements for further improvements of the CWE flow-based methodology. The first of these requirements deals with issues that needed to be addressed by November 2015, such as recalculating the intraday capacity after day-ahead FBMC and adapting the coupling algorithm to ensure that a bidding zone that offers EUR 3000/MWh can also import using the FB methodology. Because the recalculation of the intraday capacity after day-ahead FBMC was submitted late, the relevant regulatory decisions will be taken in Q1 2016.
 - In addition to the study on flow factor competition, several other improvements and adaptations to the CWE FBMC were required by the CWE NRAs to be developed during the coming months and years. Many of those requirements are related to the CACM GL (see below).
- The market participants' request for further transparency on the CWE FBMC: with the launch of FB methodology in the CWE region, market parties have been asking for more transparency on how the prices and exchange volumes are determined. These issues are being dealt with in consultative group meetings with market representatives and regular technical meetings between CWE TSOs, PXs and NRAs.

¹² Flow factor competition arises when a certain bidding zone can import/export more or at more interesting prices because of the relative power transfer distribution factors (PTDFs). The study should investigate whether or not this flow factor competition takes places in a fair and non-discriminatory way.

In 2015 some progress was recorded in the CEE FBMC.

- The accession of Romania: although a compromise was found in December 2014, the discussion about the accession of Romania arose once more. Further discussions about the Framework Project Agreement (FPA) were needed to tackle this issue, which concluded on the need for a specific accession process. On 1 June, CEE NRAs and the project eventually agreed that, starting with the signing of the FPA, parties shall start to work on an accession agreement enabling new parties to join the FPA, particularly to enable the smooth entry of Transelectrica and OPCOM into the project. The accession agreement shall be established no later than when the market design for implementation has been achieved. This accession agreement shall consider the steps needed for reaching the final target (full membership granted to Romanian parties) as soon as possible.
- The project budget and high-level roadmap: CEE project parties finalised these elements in June following the guidance provided by NRAs on cost sharing. In August, NRAs acknowledged the plan and provided comfort on cost recovery. In line with the roadmap, CEE TSOs continued the work on the FB SOO (flow-based security-oriented option) and brought several analysis results. The final report is to be delivered in January 2016. After the setup of the project structures including a joint steering committee and joint working group in 2014, CEE TSOs and PXs organised themselves into several task forces and contracted with a project management office for the shared organisational activities. The FPA had been drafted and finalised by August 2015 in line with the plan. However, one project party, EPEX SPOT, has not signed the agreement because of concerns regarding local cost recovery. On 10 December, the project parties decided to freeze the project due to the risks associated with continuing it without a signed FPA. EPEX SPOT informed that the issue will be discussed at their next Supervisory Board scheduled on 4 February.
- The Austria–Germany border question: in November, a majority of TSOs and PXs proposed to update the high-level design and roadmap to take into account the ‘All TSOs’ proposal for Capacity Calculations Regions¹³ and the ACER opinion on the compliance of national regulatory authorities’ decisions approving the methods of allocation of cross-border transmission capacity in the CEE region¹⁴, both of which propose the introduction of capacity allocation on the Austria–Germany border. However, these formal documents contain proposals and recommendations which are not binding, and E-Control does not support the incorporation of the ACER opinion into the project. In E-Control’s view, there are more efficient ways to solve the

13 https://www.entsoe.eu/Documents/Network%20codes%20documents/Implementation/ccr/151103_CCRs%20Proposal_approved_updated_clean_and_final_for_submission.pdf

14 http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2009-2015.pdf

issues on the Austria–Germany border¹⁵. For the time being, the project parties can still make progress on several important elements, such as shipping or legal issues, which are independent from this question, but the project could be further delayed in the absence of a unanimous decision from all parties on how to consider this border.

- Coordination between CEE and CWE: CEE TSOs and PXs agreed to start preparing the merger between the CWE and CEE regions. CWE and CEE TSOs have already reactivated the CEWE cooperation group.

On Italy's northern borders, the capacity calculation is jointly performed on the basis of the Pentalateral Agreement between the TSOs involved (APG, ELES, RTE, SWISSGRID and TERNA). This is done once a year as a classic NTC calculation setting the maximum possible exchanges among the different borders. To avoid disturbances from the early implementation of the day-ahead market coupling, which started as expected on 24 February 2015, AEEGSI, AGEN-RS, CRE, E-Control and RAE, in coordination with EICOM, decided to keep on applying this calculation setting for 2015.

However, to provide market participants with the most up-to-date levels of interconnection capacity available, the TSOs involved (APG, ELES, RTE, SWISSGRID and TERNA) on Italy's northern borders (with France, Switzerland, Austria and Slovenia) have been studying the D-2 coordinated capacity calculation process. Compared with the current yearly computation process, the expected benefits from this NTC recalculation process in D-2 are a more accurate network security assessment and an optimised cross-border NTC. The daily cross-border capacity calculation process will provide, in this first stage, NTC values in direction to Italy. To profit as soon as possible from this new D-2 NTC calculation process, computation started based on two timestamps per day. This choice has been made because it is compatible with the current split of periods (peak/off peak), it simplifies the process and the first assessments.

15 http://www.e-control.at/documents/20903/443907/2015_11_25_Press+Release+German-Austrian+Price+Zone.pdf/4e0d9f9e-1b01-4de5-b5d6-03ba8c8f25a6

Following the high-level description of the methodology communicated to NRAs on 1 October 2014, the testing phase has started and consists of three steps.

- The internal dry run, with the purpose of tuning algorithms and tools: this phase started in February 2014 and is now complete.
- The external dry run, with the aim of providing market participants with the opportunity to get to know this new process: this phase started on 30 July 2015.
- The full live test, with the aim of confirming whether or not the new daily computed NTCs are suitable for operation by TSOs: the resulting NTCs will be used for allocation purposes. This phase is scheduled to start mid-January.

So far, the tests show that the new calculation process optimises the NTC calculation and planned maintenance as well as the power flows.

After the go-live, expected approximately two months after the start of the full live test, TSOs will start working to increase the number of timestamps and will agree on the extent of this increase. This is expected to be achieved by the end of 2016.

According to the CACM GL, FBMC capacity calculation will need to be applied to the meshed grid in the future. This covers both the day-ahead and the intraday timeframes. The advances on these matters, and on others that CWE NRAs have required the CWE FBMC project to undertake in order to become CACM compliant, are being monitored closely by the CWE NRAs. In particular, CWE TSOs are working towards a flow-based intraday capacity calculation by Q2 2017.

As for CWE, some of the main NWE–CEE FBMC project documents have to be aligned with the CACM GL. At this stage, the current project plan, developed in June 2015 by CEE TSOs and PXs and updated in November, already makes it clear that the project will not be finished by the deadlines set out in the CACM GL. The additional lack of consensus on how to consider the border between Austria and Germany further increases the delay.

For Italy's northern borders, the focus is on the current development of the D-2 coordinated capacity calculation process. However, the FB method will also have to be implemented in this area in line with the CACM GL.

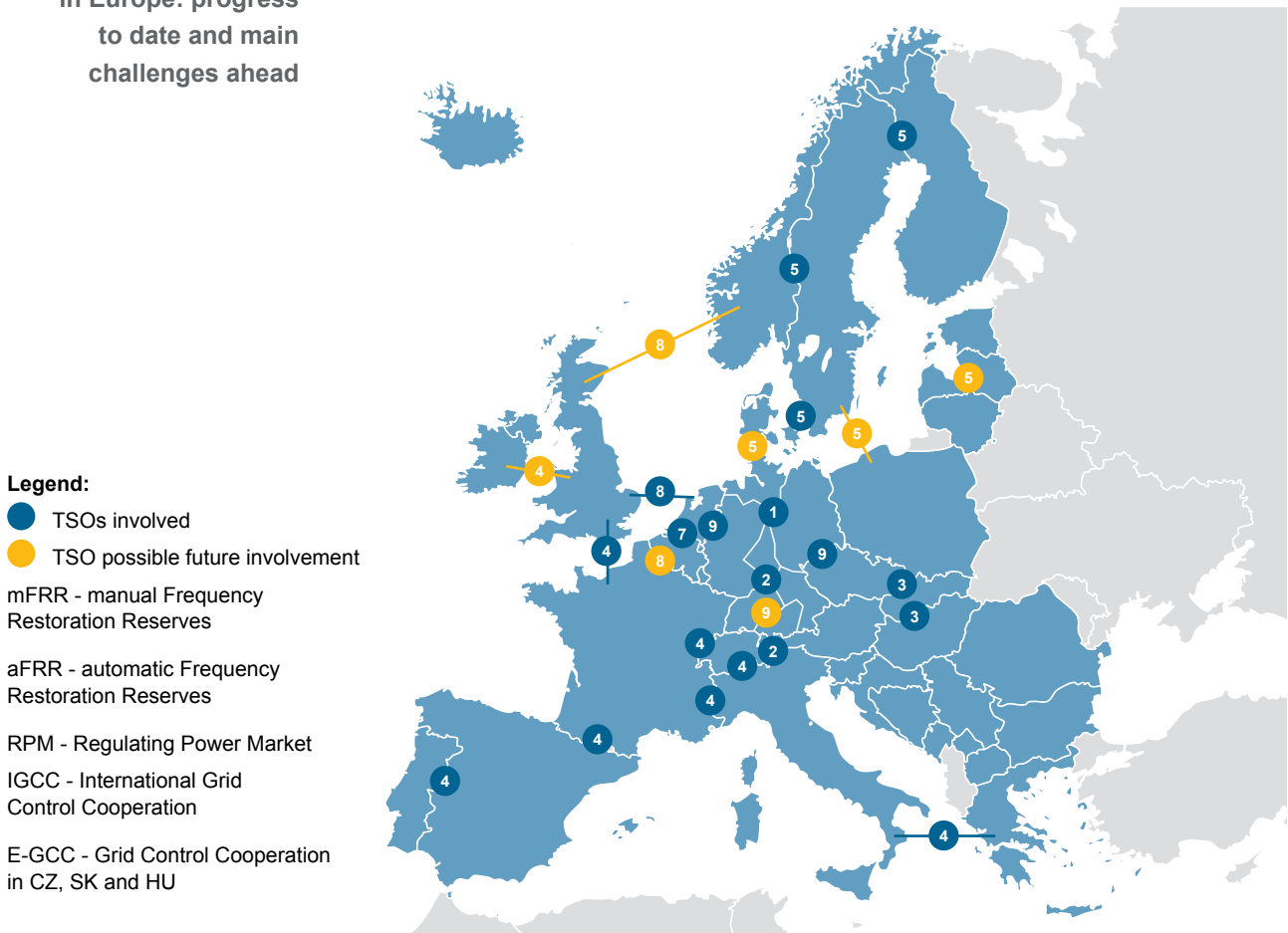
1.2.5 ... in the implementation of the electricity balancing target model

The target model related to electricity balancing is summarised below as three key principles:

1. Reduce Balancing needs with adequate incentives for balance responsible parties.
2. Efficient balancing actions to be performed by TSOs.
3. Foster competition between balance service providers.

Balancing pilot projects in Europe: progress to date and main challenges ahead

Figure 1.4: Cross-border pilot projects



1	Common Merit Order (CMO) for mFRR and aFRR with real time flow based congestion management
2	Cross-border market for FCR based on TSO-TSO model
3	E-GCC (project on hold)
4	TERRE: Trans-European Replacement Reserve Exchange
5	Development of the Nordic RPM
7	Design and evaluation of a harmonised reactive balancing market with XB optimisation of Frequency Restoration
8	BritNed / TenneT / National Grid Balancing Services (project on hold)
9	IGCC Imbalance Netting, aFRR-Assistance and Flow-Based Congestion Management

Table 1.1 below provides a short summary of the progress achieved, as well as the issues still pending for each pilot project.

	Project	Progress achieved	Pending issues
1	Germany	The analysis of the potential design of a future shared FRR balancing market, comprising the national markets of Austria, Belgium, Germany and the Netherlands, has been continued. A TSO expert group is currently studying in detail the technical and market aspects of such a cooperation. For more details, see project 'EXPLORE' as well.	
2	Frequency Containment Reserve (FCR) (AT-CH-DE-NL)	The cooperation between the German, Austrian, Dutch and Swiss TSOs went live on 7 April 2015.	The next step is to monitor the economic variables (social welfare, etc.). The actual cooperation may be extended to other TSOs. Elia (Belgium) and RTE (France) have already shown interest in joining.
3	E-GCC (CZ-SK-HU)	Project on hold	
4	TERRE	Good progress in the design phase despite an increasing number of TSOs collaborating: <ul style="list-style-type: none"> • a standard scheduled product for replacement reserves will be used • the algorithmic optimisation is currently being tested • the optimisation mix combines need and activation of offer • the CMO will allow flexibility according to TSOs' need • regarding settlement issues, it is envisaged that marginal prices will be applied and congestion rents will be treated. 	Potential future extension to EirGrid. The design phase is expected to be completed by the end of 2015 and will be followed by a public consultation to be held in Q1 2016.
5	Nordic	Feasibility studies on extending the Nordic manual frequency restoration reserves (mFRR) market to the Baltic, Germany and Poland finalised in 2014: <ul style="list-style-type: none"> • showed a positive net benefit of exchange • mapped differences in market design and obstacles for integration. Terms of reference (ToR) for Baltic–Nordic integration developed. Analysis of different exchange models between Nordic and other synchronous areas initiated.	TSOs to identify potential models for exchange between Nordic and Baltic, Germany and Poland. Project plan for Nordic–German cooperation to be developed. Nordic–Polish progress on hold until clarification of CoBA definitions.
6	NL-BE	See 'Other'.	
7	BritNed	Project on hold.	
8	IGCC	IGCC TSOs have continued and almost finished drafting a multilateral contract that is to replace existing bilateral contracts between IGCC members. The multilateral contract shall include general principles for imbalance netting cooperations and is considered to be a prerequisite for the targeted enlargement of the IGCC to further countries.	As a next step, IGCC TSOs plan to investigate enhancements of the current IGCC settlement. In addition, there are ongoing talks with further TSOs to join the IGCC (RTE plans to join in March 2016).

	Project	Progress achieved	Pending issues
Other	EXPLORE	The German (50 Hertz, Amprion, TenneT and TransnetBW), Belgian (Elia), Dutch (TenneT) and Austrian (APG) TSOs have decided to proceed with the analysis of the potential design of a common FRR balancing market. This project is called EXPLORE (European X-border project for Long term Real-time balancing Electricity market design). The focus of the project is the development of a design for a common mFRR and automatic frequency restoration reserves (aFRR) balancing market in the countries taking part. An expert group has been set up to identify harmonisation requirements for a common merit order for activation and for joint procurement of reserves.	Based on this analysis, TSOs and NRAs want to decide whether it would be more beneficial to merge EXPLORE with one or both of ENTSO-E pilot projects 1 and 7 or to keep EXPLORE separate. No decision on this has been taken yet, so for the time being the reporting of pilot projects 1 and 7 remains separate.

In the context of the definition and development of CoBAs as required by the Guidelines on EB, the Agency recommends that ENTSO-E focus its design and implementation efforts on the pilots that have a clear European potential.

Development of early implementation of the EB NC

In November 2014 the Florence Forum asked the Agency and ENTSO to jointly chair a balancing stakeholder group focused on the early implementation of the Electricity Balancing Regulation.

The main objective of the BSG is to provide a platform for the Agency and ENTSO-E to discuss, and consult with stakeholders on, the proposals and development of different implementation projects and draft terms and conditions or methodologies that shall be developed by TSOs pursuant to the EB NC, namely:

- the EU roadmap for early implementation of the Electricity Balancing Regulation, including the definition of CoBAs for all processes
- the cost–benefit analysis (CBA) on imbalance settlement period (ISP)
- the proposal for standard aFRR, mFRR and replacement reserves (RR) products for energy and capacity
- the high-level principles for balancing algorithms
- the proposals for pricing methodology
- the list of activation purposes of balancing bids.

In addition, the BSG will allow ENTSO-E to report on the implementation projects and allow NRAs, where applicable, to report on regulatory progress for the adaptation and preparation for the early implementation of the EB NC, and potential issues with existing (national) legislation.

The Agency, ENTSO-E and stakeholders shall learn from the implementation activities and gain important lessons needed for future developments and for further detailing the electricity balancing target model.

Table 1.2 reports on the progress of the BSG deliverables and the further potential delay. The Agency reiterates the importance of keeping the deadlines for the early implementation deliverables as jointly agreed in the terms of reference in order to allow the smooth implementation of the EB NC once it enters into force.

Table 1.2: Early implementation deliverables: BSG ToR deadlines (black) and actual planned delivery (red)

Deliverables	2015			2016		State of play as of 23 Sep. 2015	NC Deadline
	Q2	Q3	Q4	Q1	Q2		
EU roadmap for Early Implementation of Electricity Balancing Regulation							
• Draft proposed definition of CoBas for all processes			Nov.			Proposal for IN CoBa	6 months
• Draft Roadmap proposal				✓			
Cost Benefit Analysis on Imbalance Settlement Period							Comitology
• Methodology and criteria	✓	Sep.					
• Final CBA				✓	?	Possible postponement due to short budget	
Proposal for Standard mFRR & RR products							6 months
• Energy	✓ →		?			Revised proposal being developed	
• Capacity			✓				
Proposal for Standard aFRR products							6 months
• Outcomes of the study			✓ → Feb.				
• Proposal					✓		
List of Activation Purposes of BE bids			✓				1 year
Proposals for pricing methodology					✓		1 year
High level principles for Balancing algorithms					✓		1 year

**Progress to date and
main challenges ahead**

- The EU roadmap for early implementation of the Electricity Balancing Regulation, including the definition of CoBAs for all processes
 - ENTSO-E proposes, as a working assumption, a single CoBA for the synchronous-area continental Europe for the imbalance netting processes.
 - ENTSO-E has also offered a range of options for CoBAs for mRR and RR processes that are currently being studied by the BSG.
 - The CoBAs proposal for aFRR process will be delivered in 2016.

- The CBA on ISP
 - In September 2015, ENTSO-E presented a roadmap to deliver the CBA on ISP by the deadline set by ACER to feed into the comitology process (expected for summer 2016).
 - Four planning cases are described in the CBA on ISP methodology report to analyse the effects as well as the costs and benefits of ISP changes.
 - Harmonisation of ISPs throughout Europe
 1. All TSOs implement ISP = 15 min
 2. All TSOs implement ISP = 5 min
 - Reduction of ISP to max 30 min (Framework Guideline requirement)
 3. TSOs with ISP > 30 min reduce ISP to 15 or 30 min
 4. TSOs with ISP > 30 min reduce ISP to 15 or 30 min while taking into account the ISP of the neighbouring TSO
 - ENTSO-E submitted to stakeholders a proposal for the list of types of costs and types of benefits, and the associated data requirements list. These were discussed during a workshop held in October.

- The proposal for standard aFRR, mFRR and RR products for energy and capacity
 - In March 2015, ENTSO-E submitted to the BSG a proposal for nine manual standard products for balancing energy. Further discussions allowed more details to be added to the definition of the products and the list of products to be shortened. Table 1.3 gives the latest status of the manual standard products for energy as proposed by ENTSO-E.
 - ENTSO-E will propose aFRR energy products once the outcome of the ongoing study on aFRR is released. This study focuses on the overview of the current aFRR situation, the technical capabilities of aFRR providers, the qualitative impact of the aFRR activation method and the qualitative elaboration change activation scheme. The final report is expected to be ready by mid-February 2016.
 - Manual and automatic capacity products should still be proposed by ENTSO-E. Based on the feedbacks received after the first draft defined early 2015, ENTSO-E presented in January 2016 a second proposal for further discussion¹⁶.
- Proposals for the remaining deliverables (high-level principles for balancing algorithms, pricing methodology, list of activation purposes of balancing energy bids) should be delivered by ENTSO-E in the first half of 2016.

16 https://www.entsoe.eu/Documents/MC%20documents/balancing_ancillary/151127_BSG_Standard_products_survey_result_FINAL%20v2.pdf

2. THE GAS REGIONAL INITIATIVE

2.1 Context and current priorities for the GRI

Following the publication of the Third Energy Package in 2009, the first three NCs for the natural gas sector have been adopted. The CAM NC was published in October 2013¹⁷, the NC on Gas Balancing was published in March 2014¹⁸ and the NC on Interoperability and Data Exchange in May 2015¹⁹. The NC on harmonised transmission tariff structures is expected to be adopted in 2016.

The NCs on Gas Balancing and CAM became fully applicable on 1 October and 1 November 2015 respectively. Thus, strictly speaking, 2015 was the final year of early implementation for the CAM and BAL NCs. Despite this, for the BAL NC, TSOs and NRAs in MSs that benefited from an extended implementation deadline²⁰ will still be working on the early implementation in the coming years. The early implementation of the IO NC will continue until the applicability date of 1 May 2016. The early progress before final applicability will contribute towards a timely, consistent and effective implementation of the rules.

Formal implementation monitoring²¹ of the rules on congestion management procedures (CMP Guidelines²²) and the existence of contractual congestion²³ at interconnection points (IPs) between MSs started in 2014. Formal monitoring of the CAM and BAL NCs started at the end of 2015. Implementation monitoring reports in these areas are expected in 2016.

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- 17 Commission Regulation (EU) No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:273:0005:0017:EN:PDF> .
 - 18 Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0312&from=EN> .
 - 19 Commission Regulation (EU) No 703/2015 of 30 April 2015 establishing a Network Code on interoperability and data exchange rules: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0703&from=EN> .
 - 20 The Network Code on Gas Balancing of Transmission Networks allows an extended implementation date of 1 October 2016 (if the TSO applies for it and the NRA authorises this), or adoption of interim measures until full application of the NC by 2019.
 - 21 Implementation Monitoring Report on Congestion Management Procedures In 2014: http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20CMP%20Implementation%20Monitoring%20Report%202014.pdf .
 - 22 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: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:231:0016:0020:en:PDF> .
 - 23 ACER annual report on contractual congestion at interconnection points (period covered: 2014): http://www.acer.europa.eu/official_documents/acts_of_the_agency/publication/20150529_acer%202015%20report%20on%20congestion%20at%20ips%20in%202014.pdf .

Taking into account the current situation of the Internal Energy Market and the contributions of the GRI, the 28th Madrid Forum held a strategic discussion on the role and future of the gas regional initiatives. In its conclusions, the forum noted the role of GRIs in pioneering market integration. Nevertheless, it also agreed that the current status of the EU internal market requires a more focused, problem- and result-oriented approach to regional cooperation. Efficient project management, including clear responsibilities, deadlines and deliverables, is key to this objective. The forum invited ACER, the Council of European Energy Regulators (CEER) and the European Network of Transmission System Operators for Gas (ENTSO-G) to put forward a template for such work involving the relevant parties in early 2016.

The Agency's market monitoring report (MMR) 2014²⁴ shows that progress continues to be made towards integrating EU wholesale gas markets. Despite that, the remaining barriers to full market integration are more evident in SSE and the Baltic states. The GRI, where present, should help overcome these barriers by facilitating the cooperation and coordination of relevant stakeholders.

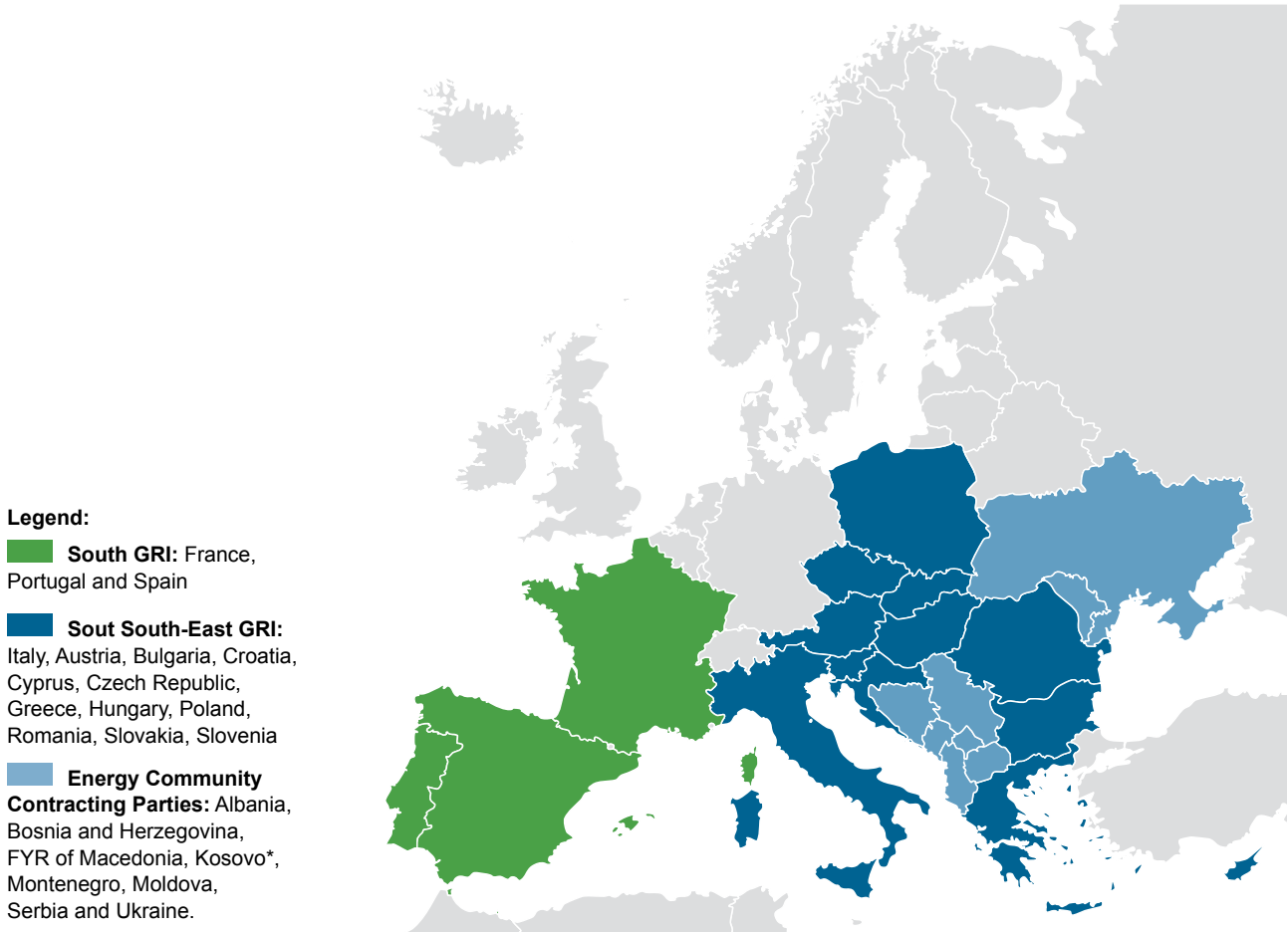
In this context, the Agency believes that the GRI should play its part in the IEM completion by focusing on those activities where it has already achieved significant results. The GRI is of crucial importance for those projects in which the region is the most efficient geographical scale for approach and outcome. This is the Agency's vision for the GRI:

- It should continue to promote and facilitate the early implementation of the NCs by identifying a limited number of pilot projects at a regional or cross-regional level. Pilot projects should be specific enough for the Agency to follow up on their realisation and to intervene in case of unexpected stalemates. This is why the Agency is in favour of a more detailed timeline for each proposed project, which specifies several milestones to be reached at specific times. A detailed timeline and frequent assessments are useful management tools for taking stock of best practices in implementation and potential issues.
- It should complete the implementation of the NC provisions that still present some challenges in the regions.
- It should foster market integration by monitoring and facilitating dedicated projects at a bilateral, multilateral or regional level throughout the gas regions, following the models set out in the refined GTM.
- It should preserve its value as a regional forum for discussing EU regulatory developments, and sharing experiences and best practices among NRAs, TSOs and stakeholders.

24 ACER/CEER Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2015: http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER_Market_Monitoring_Report_2015.pdf .

In 2015, the two remaining active regions carried out the GRI activity: South and SSE²⁵. Figure 2.1 shows their current composition. The following subsections provide additional details on the state of play in the different regions.

Figure 2.1: Composition of the GRI regions in November 2015



** Throughout this document, the symbol * refers to the following statement: This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.*

25 Now including the Energy Community.

2.1.1 State of play in the South region

The South region of the Gas Regional Initiative is led by the Spanish regulator, the National Commission for Markets and Competition (CNMC), and aims to integrate Portugal, France and Spain into one regional gas market. More than 140 stakeholders are involved, including shippers, gas infrastructure operators, regulators, ministries, ACER and the EC.

In 2015, the first year of the scope of the current work plan in the region²⁶, five meetings were held by the Implementation Group (TSOs, NRAs and ACER), with the objective of carrying out the tasks and reaching the milestones adopted. In addition, the region organised one stakeholders’ group meeting in Madrid, attended by around 80 participants.

Since 2011, the South region has been working on the definition of common policies, developments and specific regional proposals for the joint application of the European rules at the interconnection points.

Figure 2.2: Virtual interconnection points in place in the South GRI, 2015



²⁶ South Gas Regional Initiative Work Plan 2015–2016: http://www.acer.europa.eu/Gas/Regional_%20Initiatives/Gas_regional_work_plan/Documents/GRI%20WP%202015-2016%20Nov%202014_FINAL.pdf .

What is more, regional work and cooperation between the three countries are key factors in the early implementation of the rules to complete the internal gas market and to meet the goals established at European level. Some of the **main achievements** reached so far are listed as follows.

- The **interconnection capacity** between France and Spain has increased after two coordinated **Open Season procedures** in the region to foster new investments. In 2015, the interconnection capacity between France and Spain was 7.5 bcm in the flow direction from Spain to France, and 5.5 bcm from France to Spain.
- After the work started in 2011, the first coordinated auction to allocate capacity products at the two virtual interconnection points (VIPs) – VIP PIRINEOS (FR-ES) and VIP IBERICO (PT-ES) – took place in March 2014. Currently, **yearly, quarterly, monthly and daily products are auctioned through the PRISMA platform**, in compliance with the CAM NC and the NRAs' agreements in the region.
- Regulators, with the participation of stakeholders, monitored the implementation of the **transparency requirements** by all gas infrastructures operators pursuant to Regulation 715/2009/EC.
- To prevent and solve contractual congestion at the interconnections, **CMPs are applied in a harmonised way** at the VIPs in the region.

2.1.2 State of play in the SSE region

The GRI SSE comprises Austria, Bulgaria, Croatia, Cyprus, the Czech Republic, Greece, Hungary, Italy, Poland, Romania, Slovakia, Slovenia and, since 2014, the Energy Community contracting parties Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo*, Montenegro, Moldova, Serbia and Ukraine²⁷. The GRI SSE, launched in 2006, represents a bottom-up approach to the completion of the IEM in the SSE region.

Two NRAs co-chair the cooperation in the region. To ensure equal representation of the different perspectives, and that each NRA is equally involved in the work of the region, the NRAs have agreed to adopt a rotation rule for the co-chairmanship. Moreover, to ensure continuity of the GRI SSE activities, the co-chairs shall not be replaced simultaneously. In principle, each co-chair shall serve for a mandate of two years. Based on the rotation rule, URE, the Polish NRA, after three fruitful years²⁸ as a co-chair, stepped down from this position. HEA, the Hungarian NRA, agreed to become the new co-chair²⁹. HEA will join ANRE, the Romanian NRA, in co-chairing the regional activities.

The GRI SSE Work Plan 2015–2018³⁰ was approved in May 2015, during the GRI SSE RCC and SG meetings, in Warsaw. The region decided to focus mainly on the realisation of pilot projects and on further facilitating cooperation between the GRI SSE and the Energy Community. The pilot projects included in the work plan focus on the harmonised implementation of network codes, harmonisation of other rules allowing the gas markets to function better, and market integration. NRAs and, where appropriate, TSOs were invited to lead the pilot projects as project promoters.

Nevertheless, pilot projects are not the only activities undertaken by the region. With the aim of facilitating and accelerating the timely and harmonised implementation of network codes, as well as monitoring and facilitating the progress of pilot projects, implementation groups (IGs) responsible for each network code (CAM NC, BAL NC, IO NC) were planned. Each IG is chaired by a different NRA and/or TSO. IGs shall also monitor and coordinate the implementation of related pilot projects and transparency requirements. CMP implementation is also addressed under the CAM IG. The GRI SSE co-chair NRAs have direct oversight over all IGs and ensure appropriate coordination between them. The IGs are composed of representatives of NRAs, TSOs, PXs and other operators, where needed, and

27 Gas markets do not exist at present in Kosovo*, Montenegro and Albania.

28 To ensure smooth continuity of the work in the SSE region, URE decided not to step down from the position of co-chair before the adoption of the GRI SSE Work Plan 2015–2018. Immediately after the approval of the document by the RCC members during the 27th GRI SSE RCC meeting, in Warsaw (May 2015), URE initiated the rotation process for the new co-chairmanship.

29 The formal nomination took place at the GRI SSE RCC meeting, on 19 November 2015, in Bucharest.

30 South South-East Regional Initiative Work Plan 2015–2018: http://www.acer.europa.eu/Gas/Regional_%20Initiatives/Gas_regional_work_plan/Documents/Work%20Plan%20GRI%20SSE_clean_24_06_2015.pdf.

meet via teleconferences or physical meetings as frequently as necessary for the proper operation of the group.

During 2015, two meetings of the CAM IG were held, on 27 April 2015, in Warsaw, and on 19 November 2015, in Bucharest. The IO IG had one meeting, on 19 November 2015, in Bucharest. Two meetings of the RCC and SG were organised during 2015, in April (Warsaw) and in November (Bucharest).

In terms of organisational structure, during the RCC meeting of 19 November 2015 it was decided to end the formal separation of the various IGs. This means that, when the IG meets, in principle twice per year, it will host topical sessions based on the needs of the region. Each session will be chaired by the NRAs and/or TSOs that have been most closely involved in the topic.

2.1.3 Increased cooperation with the Energy Community

In 2014, the GRI SSE launched cooperation with the Energy Community Secretariat and the Energy Community contracting parties (EnC CPs)³¹. This cooperation has extended the GRI SSE's goals: from the beginning of 2014, the enlarged GRI SSE has focused on deeper market integration, as well as on defining common ground for the harmonised implementation of the Third Energy Package provisions, including early implementation of network codes at the borders between CPs and MSs³².

Cooperation between the GRI SSE and the Energy Community intensified in 2015. In this respect, representatives of the EnC Secretariat and of EnC CPs' NRAs participated in the GRI SSE RCC and SG meetings. Likewise, representatives of GRI SSE took part in the Energy Community Regulatory Board (ECRB) Gas Working Groups meetings. Moreover, the GRI SSE Work Plan 2015–2018 includes two, out of the total of 12, pilot projects involving two or more countries from both GRI SSE and EnC. A third pilot project on the early implementation of the CAM Regulation at the interconnection point between Ukraine and Poland is under discussion.

The Energy Community Secretariat has been very proactive in the GRI Coordination

31 The Parties of the Energy Community Treaty are Albania, Bosnia and Herzegovina, Montenegro, the former Yugoslav Republic of Macedonia, Serbia, Moldova, Ukraine, Kosovo* and the EU (in addition, 20 EU Member States have the individual status of participant in the main bodies of the Energy Community).

32 Network codes are not yet applicable in the Energy Community. However, the EnC Ministerial Council in its Decision 2011/02/MC-EnC on the implementation of Directive 2009/72/EC, Directive 2009/73/EC, Regulation (EC) No 714/2009 and Regulation (EC) No 715/2009 agreed that 'Network Codes shall be implemented by the Energy Community as soon as possible' (cf. conclusions of the 9th Ministerial Council, paragraph 11). The EnC Permanent High Level Group and Regulatory Board have already developed rules for the adoption of the network codes upon proposal of the European Commission (cf. PA 2012/01/PHLG-EnC, PA 2012/02/ECRB-EnC). The EnC stakeholders have frequently stressed the need to implement the network codes in the EnC.

Groups meetings in providing updates on the CPs and ECS developments in the gas sector and streamlining the cooperation between CPs, GRI SSE MSs and the Agency. The secretariat provided valuable inputs to the discussion and updates on the pilot projects included in the regional Work Plan 2015–2018. On top of that, the secretariat reported on progress in different gas-related working areas of the EnC and its Contracting Parties, for example providing a status report on EnC CPs' TSOs' compliance with third-package transparency requirements, and the results of the study on gas market integration.

The EnC Contracting Parties made progress in implementing the EU energy acquis. As at October 2015, Ukraine, Serbia and Albania had implemented third-package-compliant primary legislation in gas. Ukraine has also adopted the majority of secondary gas legislation, while Albania and Serbia have started drafting it. The progressive adoption of the EU acquis increases the possibilities of cooperation for the EnC CPs with the Agency's activities. A common legal basis enables efficient participation of the CPs in the GRI SSE and in the Agency's activities. The implementation and transposition of the network codes into the EnC remain an important priority to ensure streamlined market development and smooth operations of the interconnected GRI SSE gas systems.

2.1.4 State of play in the NW region

The North-West region was inactive in 2015 under the GRI framework. Cooperation among Member States in the region took place on a bi- or multilateral basis, but outside the formal voluntary framework of the GRI.

At the 28th Madrid Forum, some stakeholders called for the reactivation of the region. In the North-West, like in the other regions, the voluntary setting of the regional initiative could serve as a forum where, at the very least, participants from the Member States meet to share national experiences and best practices. In this sense, a more formalised and enlarged framework such as the GRI would allow countries not directly involved in specific projects also to gain insights on issues and consider solutions they might not otherwise access.

The Agency welcomes the wish to reactivate the North-West region and is ready to work to increase cooperation between NRAs and assist them. However, the Agency clarifies that, since the regional initiative is a voluntary process, it cannot restart the region's activity itself, and an NRA from the region would need to step in to take the lead.

2.2 Progress updates based on regional work plans

During 2015, the two active gas regions worked on a number of regional projects in different areas in accordance with the milestones and deadlines scheduled in their work plans. As previously mentioned:

- the South Region is currently following the work plan approved on 3 November 2014, containing pilot projects for 2015 and 2016;
- the South South-East Region is following the work plan approved on 12 May 2015, which includes pilot projects for 2015–2018.

Table 2.1, divided into two subtables, provides a summary of the pilot projects undertaken in each region, their deadlines and milestones, and the progress recorded as at 20 November 2015. The subtables also show the different structures of the regional work plans, as well as the progress achieved in the different regions.

Table 2.1: Progress in South GRI Work Plan 2015–2016 and SSE GRI Work Plan 2015–2018

South GRI

Pilot Project No	Project description	Responsibility	2015				2016				Status (and comment)
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
1,1	CAM early implementation (work on NC compliance)	NRAs-TSOs-stks				X					Finalised
1,2	CAM early implementation (Roadmap process)	NRAs-TSOs				X					Finalised
1,3	Incremental and new capacity (joint application in the region)	NRAs-TSOs									Not started yet
2,1	CMP provisions (assessment + proposal for OSBB)	NRAs-TSOs-stks									Finalised
2,2	CMP provisions (FDA UIOLI)	NRAs-TSOs-stks									Not started yet
3,1	BAL NC (information exchange on NC implementation and zones merger)	NRAs-TSOs								X	Under way
4,1	IO NC (definition of measures to be taken for harmonisation)	NRAs-TSOs-stks				X					Under way
5,1	Infrastructures (input to ENTSOG investment plan and elaboration of GRIPS)	TSOs									Not started yet
5,2	Infrastructures (PCI process)	NRAs-TSOs									Progressing (permanent activity)
6,1	Hub / mkt integration (evaluation of responses to public consultation)	NRAs-TSOs-stks									Finalised
6,2	Hub / mkt integration (Preliminary analysis, impact assessment and roadmap design)	NRAs-TSOs-stks									Under way (several intermediate steps achieved)

Date of assessment

Legend:

- expected deadline for milestones of full project (time range provided)
- ✘ expected deadline for milestones of full project (exact date provided)
- deadline achieved (time range provided)
- ✘ deadline achieved (exact date provided)
- deadline missed (time range provided)
- ✘ deadline missed (exact date provided)
- ✘ suspended

South South-East GRI ^

Pilot Project No.	Project description	Project promoter	2015				2016				Status (and comment)
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
1	RBP at HU-RO IP	HEA									Finalised
2	GSA at PL-CZ IP	URE									Finalised
3	PRISMA at IT-AT and SI IPs	E-control									Finalised (CMP rules AT/IT not coordinated yet)
4	NC CAM+BAL at BG-GR IP	RAE, SEWRC									Delayed (only initial steps completed)
5	NC IO: gas quality and odourisation	URE, ECRB, GWG									Suspended (overlap with other similar project at EU level)
6	NC BAL: streamline int. Meas rep. BG-GR	RAE									Finalised for 2015 (to be repeated until 2018)
7	Mkt int in CEE	E-control									Under way (two models developed)
8	V4	URE									Delayed (decision if keeping the PP in Q2 2016)
9	EnC TSOs in ENT SOG TP	EnC: ECRB, GWG									Progressing (report expected in Q2 2016)
10	VTPs transparency	E-control									Under way (delayed start in Dec 2015, results exp. in Q2 2016)
11	V4: trading licences	HEA									Delayed (new deadline Q4 2016)
12	3rd package implementation survey	E-control, AEEGSI									Finalised

x Approval of WP^{^^} x Date of assessment

Legend:

- expected deadline for milestones of full project (time range provided)
- x expected deadline for milestones of full project (exact date provided)
- deadline achieved (time range provided)
- x deadline achieved (exact date provided)
- deadline missed (time range provided)
- x deadline missed (exact date provided)
- x suspended

[^] The table does not report years 2017 and 2018 because 2018 has no new projects, except for the regular continuation of pilot projects No. 6 and No. 7.

^{^^} The SSE Work Plan was approved in May 2015, with some months of delay with respect to what initially expected, so to allow additional refinements asked by the European Commission.

Although the South South-East region achieved relevant progress in the area of pilot projects concerning the implementation of the CAM NC and on the third-package implementation survey, some projects are still lagging behind. An extensive discussion between the Agency, the European Commission and the concerned NRAs took place on 19–20 November 2015 in Bucharest, at the RCC and SG meetings organised by the Romanian NRA ANRE, and the outcomes are reported in this section.

The Agency suggests, in accordance with the conclusions of the 28th Madrid Forum, updating the SSE Regional Work Plan in order to concentrate efforts on fewer projects, with more clearly assessable interim results. This approach would allow:

- better streamlining of priorities,
- better assessment of interim progress,
- timely intervention in case of unexpected delays.

Moreover, taking into account the priorities and resources available at NRA's level, it may be advisable to launch new projects for 2016–2018, as only a few are currently in hand.

The South GRI is for the moment on track with its work plan. As 2016 is the last year it covers, the Agency expects the region to produce a new work plan soon.

2.2.1 Progress on the early implementation of NCs

The early implementation of NCs brings a number of benefits to the IEM development process:

- It helps to meet the implementation deadlines set out in the codes and anticipate issues, complexities or ambiguities in their provisions.
- It stimulates the sharing of experiences and the exchange of best practices among pilot projects on the same topic in different regions, promoting – where appropriate – their convergence in favour of integrated solutions.
- It increases transparency and stakeholders' involvement along the whole process.
- It allows possible inconsistencies and interactions between different NCs to be detected, so that they can be taken into account in potential future amendments to the codes.

Early implementation of the NCs is an endeavour that goes beyond the regional dimension. Yet the GRI has so far been instrumental in identifying potential pilot projects at a bilateral or regional level and bringing together NRAs, TSOs and stakeholders from the same region to proceed towards NC implementation in a coordinated way.

The early implementation of the CAM NC ended with the applicability date of 1 November 2015. During the first 10 months of 2015, a number of pilot projects were undertaken in both active regions, which aimed at timely implementation of the CAM NC. The same is true of the BAL NC, applicable as of 1 October 2015. For the IO NC, approved in the course of 2015, early implementation will be possible until 1 May 2016.

The importance of the cross-border coordination element varies depending on the nature of the NC at hand. While it has been essential in the CAM NC, because the provisions mostly regulate cross-border topics, it has been less crucial in the BAL NC, as most rules apply at national level. Given the nature of the provisions included in the IO NC, regional cross-border cooperation will be important for this topic too. It has to be noted that, even where a network code deals mainly with measures at the national scale, cross-border coordination enables NCs to be implemented consistently across Europe.

2.2.1.1 The CAM roadmap process and pilot projects for the CAM NC's early implementation

The CAM roadmap process started after the 21st Madrid Forum invited the Agency and ENTSOG to cooperate with the aim of promoting the early implementation of the CAM NC. Since the start of the cooperation in early 2012, the CAM roadmap process has created a framework that helped implement pilot projects and test the NC provisions. The cooperation allowed participants to identify potential problems and to adopt solutions. This process was fully transparent and accessible to stakeholders.

Since the first version of the CAM roadmap, published on 1 March 2013, the report has been updated three times: in October 2013, in October 2014 and, finally, in November 2015³³. All updates took stock of the progress and the experience gained in the pilot projects during the period covered. With the latest and final version of the CAM roadmap of November 2015³⁴, the Agency and ENTSOG provided a comprehensive analysis, taking stock of early compliance with the CAM NC with respect to the use of booking platforms, as well as a thorough update of all active CAM NC-relevant pilot projects. As in 2014, the 2015 roadmap reported detailed information regarding the application of specific network code provisions at each IP, and a review of issues identified and lessons learned during the early implementation. Finally, a few days before publication, the 2015 roadmap was complemented with an additional annex giving an update on the choice of the booking platform by undecided TSOs, and on progress on the booking platforms' CAM NC compliance.

Scope of CAM pilot projects and booking platforms

According to the final update, as at 1 November 2015, the pilot projects had ended and most TSOs had decided on which booking platform they would auction bundled capacity products.

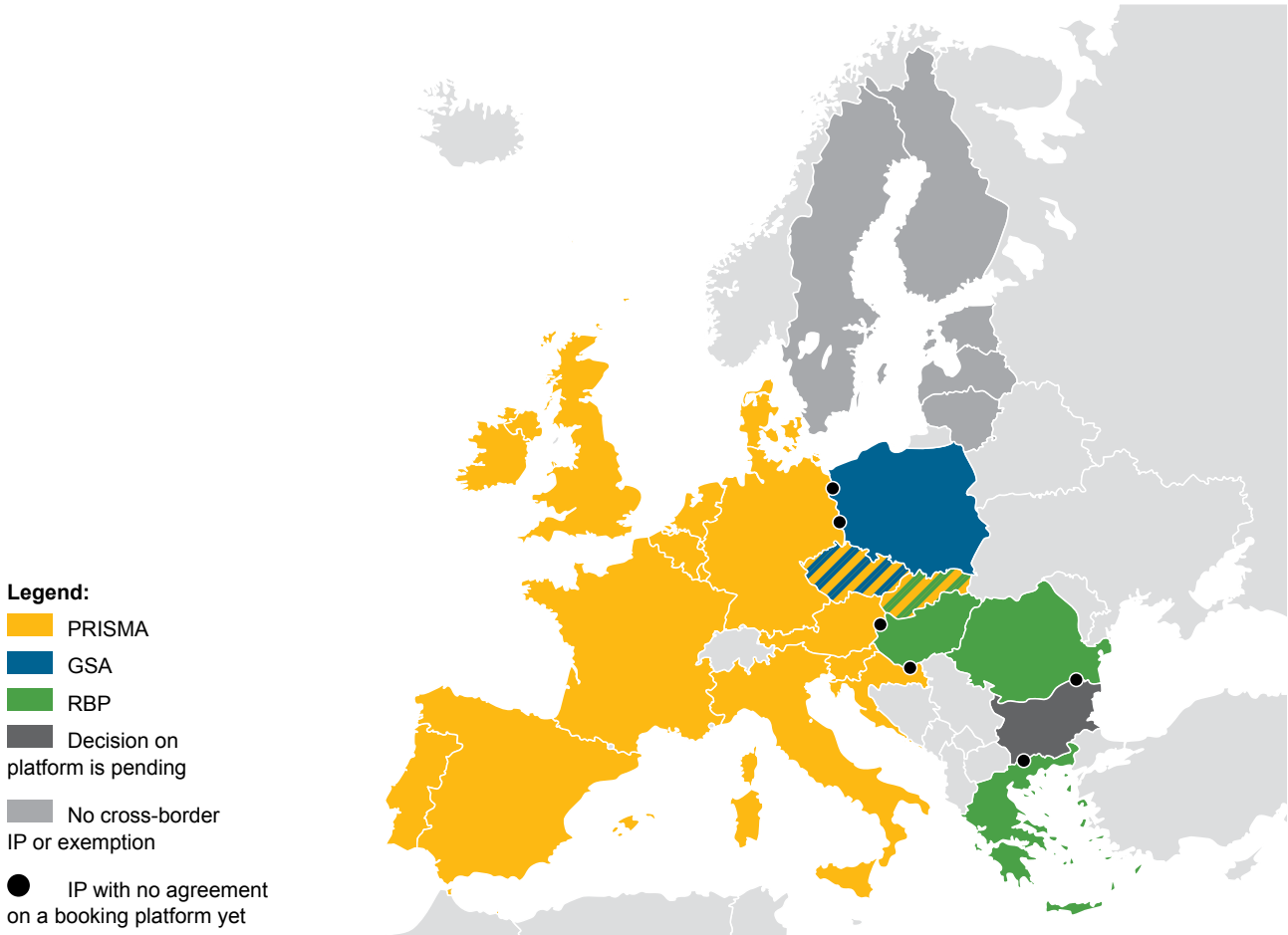
Figure 2.3 shows the geographical coverage of the use of booking platforms after the conclusion of all pilot projects³⁵.

33 All reports are available on the Agency's web page dedicated to the CAM roadmap: http://www.acer.europa.eu/Gas/Regional_%20Initiatives/CAM_roadmap/Pages/default.aspx.

34 The Agency and ENTSOG presented a preliminary version at the 28th Madrid Forum, in October 2015.

35 The CAM NC is not yet applicable in the EnC CPs (cf. footnote 31). A pilot project on early implementation of the CAM Regulation at the interconnection point between Ukraine and Poland is under discussion.

Figure 2.3: The outcome of the CAM pilot projects: EU Member States and booking platforms as at 1 November 2015



According to the agreements reached between the TSOs at the end of October 2015, after running the pilot projects, the use of all three booking platforms has been expanded. In a few countries, TSOs have chosen to use different platforms for different IPs. This has led to the following situation.

PRISMA will be used to auction capacity at the IPs between the Czech Republic and Germany, between the Czech Republic and Slovakia and between Austria and Slovakia.

The Regional Booking Platform (RBP) will be used to auction capacity between Hungary and Slovakia.

The GAS-SYSTEM Auctions Platform (GSA) will be used to auction capacity between the Czech Republic and Poland.

Despite the progress achieved, TSOs have not yet come to an agreement on the choice of a single booking platform for the auctioning of bundled capacity products at the interconnection points between Croatia and Hungary³⁶, between Austria and Hungary³⁷, between Germany and Poland³⁸, between Greece and Bulgaria³⁹, and between Bulgaria and Romania. This is because either TSOs at the two sides of the border did not agree or one of them has not yet selected any booking platform.

As the aforementioned IPs are not CAM compliant based on Article 27(2)(e) of the CAM NC, the challenge ahead for TSOs is to find an agreement as soon as possible, and that for the NRAs is to ensure compliance by their TSOs.

The CAM roadmap 2015 also included a thorough assessment of the CAM NC compliance of capacity booking platforms, based on a study by a consultant⁴⁰, with active participation from NRAs, TSOs, and platform operators.

The study provided a snapshot of early compliance as at 19 August 2015. Before the publication of the roadmap, booking platform operators provided the following updates about compliance status as at 1 November 2015: PRISMA is fully CAM NC compliant since 1 October 2015⁴¹; GSA is fully CAM NC compliant since 1 November 2015⁴²; and RBP includes several new functionalities⁴³, improving its CAM NC compliance⁴⁴.

Beyond the general analysis, the next two subsections offer a regional analysis, also accounting for the outcomes of the pilot projects reported in the regional work plans and in the CAM roadmap.

36 The Hungarian TSO reported that discussions with RBP are ongoing.

37 NRAs reported that a tender for the selection of the booking platform will be launched by early 2016.

38 This situation involves two IPs. URE reported that an agreement should be found before the next yearly auction, by March 2016.

39 The Greek TSO DESFA has selected RBP. The decision of Bulgaria is still pending.

40 Capacity booking platforms assessment, Baringa, 15 September 2015: http://www.acer.europa.eu/Gas/Framework%20guidelines_and_network%20codes/Documents/Gas%20Capacity%20booking%20platforms%20assessment.pdf .

41 PRISMA website, news section: <https://corporate.prisma-capacity.eu/press-releases/starting-on-the-1st-of-october-prisma-platform-will-be-fully-cam-nc-compliant/> .

42 Gaz-System website, news section: <http://en.gaz-system.pl/centrum-prasowe/aktualnosci/informacja/artykul/202168/> and <http://en.gaz-system.pl/centrum-prasowe/aktualnosci/informacja/artykul/202165/> .

43 RBP website, news section: <https://rbp.eu/news/20151103/within-day-auctions-started-rbp> and <https://rbp.eu/news/20150930/first-daily-auctions-completed-rbp> .

44 The two remaining unmet criteria are actually not relevant at present for the geographical scope served by the RBP, as TSOs, because of the network structure, are not requested to run competing auctions or to address 1-to-n situations. The two criteria will become relevant if the RBP is to be used at the AT–HU border.

South GRI The capacity allocation at the two existing VIPs takes place simultaneously, through auctions on PRISMA. Daily, monthly, quarterly and yearly standard capacity products are offered to the market. During 2015, TSOs worked on the adaptation of their internal IT systems with the aim of offering the functions of daily auctions and the gas day harmonisation by November 2015.

In every meeting of the initiative, the results of the auctions were analysed to follow the trends of the gas markets in the region and to propose improvements, if feasible. In general, it is remarkable that there was no (or very low) demand for gas flows from Portugal to Spain or from Spain to France and that the clearing price was the reference price for the majority of auctions, meaning that there was no congestion.

Additionally, maximisation of technical and bundled capacity at the IPs is a priority in the region. According to Article 6 of the CAM NC, TSOs have developed the joint methodology to optimise the technical capacity to be offered to the market. They prepared two studies on the topic, one developed between TIGF and Enagas, and the other between REN and Enagas. Agreements in terms of demand criteria, operational settings and simulations were reached. Both studies are published on the ACER and TSOs⁴⁵ web pages dedicated to the GRI.

The initiative has also followed the status of bundled contracts at the VIPs. According to Article 20 of the CAM NC, network users who are parties to the existing transport contracts should aim to reach an agreement on the bundling of capacity via contractual arrangements. TSOs stated that no users have decided to voluntarily bundle capacity.

45 http://www.enagas.es/stf/s/ENAGAS/Documento%20TIGF%20CNMC_Articulo%206-3%20-%20ESP.pdf, http://www.enagas.es/stf/s/ENAGAS/Transporte%20de%20Gas/Documentacion%20REN%20%20CNMC_Articulo%206-4%20-%20ESP.pdf and <https://www.tigf.fr/en/what-we-can-offer/transport/capacity-trading/capacity-calculation/optimization-of-technical-capacity.html> .

SSE GRI Currently all three booking platforms are used in the region: PRISMA, GAS-SYSTEM Auctions Platform (GSA) and the Regional Booking Platform (RBP).

The first CAM IG meeting took place on 27 April 2015, in Warsaw. The main topics discussed were:

- joint methodology for capacity calculation and maximisation (TSOs and NRAs were welcome to share best practices in the area);
- capacity quotas (the question of whether or not a regional approach to product duration could be considered);
- single nomination (challenges in this area);
- platform cooperation (CAM IG encouraged platform promoters to work out effective solutions for bundled capacity allocation at IPs where two platforms coexist);
- CMP implementation.

The second CAM IG meeting took place on 19 November 2015, in Bucharest. The main topics discussed were:

- booking platforms (Art. 27 CAM NC): updates on the choice of undecided TSOs, compliance progress of booking platforms and cooperation progress in the region;
- competing capacities (Art. 8.2 CAM NC);
- challenges and examples of the application of joint capacity calculation methods (Art. 6(1) CAM NC);
- the need to achieve a coordinated approach for using the short term use-it-or-lose-it mechanism at the IPs between adjacent TSOs.

Table 2.2 summarises the evolution of the pilot projects in the GRI SSE concerning the (early) implementation of the CAM NC.

Table 2.2: Implementation of the CAM NC, according to the SSE Regional Work Plan 2015–2018

Early/timely implementation of the CAM NC, according to the Regional Work Plan 2015–2018			
Area of work	Activity/deliverable	Status	Comments/next steps
Pilot project No 1, promoter HEA			
RBP capacity booking platform at HU–RO IP (Csanádpalota)	Monthly bundled auctions	Completed	The use of RBP at the Csanádpalota IP is no longer a pilot project as of 1 November 2015, because the RBP has been chosen as the capacity booking platform at the IP. All capacity product types have been offered on the RBP to date: yearly, quarterly, monthly, daily and within-day
	Bilateral HU–RO cooperation on CAM NC		
Pilot project No 2, promoter URE			
GSA capacity booking platform at PL–CZ IP (Cieszyn)	Monthly bundled auctions	Completed	The Polish and Czech TSOs organised three monthly bundled auctions at GSA Platform during the project: -16.03.15: bundled capacity offered for April; -15.06.15: bundled capacity offered for July; -20.07.15: bundled capacity offered for August. On 28 October 2015, GAZ-SYSTEM S.A. and NET4GAS s.r.o. concluded an agreement for the permanent use of the GSA Platform, which is aimed at conducting bundled auctions on the PL–CZ border. Monthly bundled auctions shall be organised every month in accordance with the CAM NC.
	PL–CZ cooperation (day-ahead, within-day auctions; CMP rules)	Completed	In accordance with the requirements of the CAM NC, first auctions for day-ahead and within-day products were held on 31 October 2015 and are available at the GSA Platform from 1 November 2015. On 28 October 2015 GAZ-SYSTEM S.A. and NET4GAS s.r.o. concluded an agreement for the permanent use of the GSA Platform, which is aimed at conducting bundled auctions on the PL–CZ border. OS&BB, Surrender and LT UIOLI are applied at the IP Cieszyn. The information about CMP rules is available on the Transparency Platform
GSA capacity booking platform at CZ–SK IP (Lanzhot)	Monthly and day-ahead bundled and unbundled auctions	Completed	The Czech and Slovak TSOs organised a monthly bundled auction, held on 17 August 2015, and day-ahead bundled and unbundled auctions at the GSA Platform at the IP Lanzhot covering the period from 1 September 2015 until 30 September 2015

Early/timely implementation of the CAM NC, according to the Regional Work Plan 2015–2018			
Area of work	Activity/deliverable	Status	Comments/next steps
Pilot project No 3, promoter E-Control			
PRISMA capacity booking platform at IPs: IT–AT (Tarvisio/Arnoldstein) and SL IPs	Yearly, quarterly, monthly, DA bundled auctions	Completed	Bundling at IP Murfeld/Cersak has been implemented between GCA and Plinovodi. Monthly, DA and WD products are offered. The system is ready for the next yearly auction
	WD bundled auctions	Completed	WD auctions available on PRISMA from 1 November 2015 onwards for Murfeld/Cersak and Tarvisio/Arnoldstein
	CMP rules at Tarvisio/Arnoldstein IP	Under way	CMP rules between Austria and Italy have been in place for a long time; nevertheless their fine-tuning necessitates further discussions and agreements among TSOs and probably between E-Control and AEEGSI. This phase is on hold, waiting for the revised Italian market rules in 2016
Pilot project No 4, promoters EWRC, RAE			
Common capacity allocation procedure and bundling of capacity products between Bulgaria and Greece [^]	Joint method for the optimisation of the technical capacity, including the assessment of the pressure commitments, demand/supply scenarios, Gross Calorific Value (GCV)	Completed	
	Decision on booking platform to be adopted at GR–BG IP	Completed	DESFA has made its final decision on the selection of the RBP. BTG has not informed DESFA, officially, about its relevant decision. DESFA is going to sign a TSO membership agreement with the RBP
	Definition of bundled capacity products on both sides of the IP	Completed	
	All other steps of the projects are under way or delayed**	Under way, delayed	<p>To complete the work, already started, on:</p> <ul style="list-style-type: none"> • definition of interruptible capacity products at the IP • joint decision on minimum interruption lead times • establishing a communication procedure, between the TSOs, concerning the notification of capacity interruption • establishing a joint procedure for the definition of interruption sequence • agreement concerning the split of revenues, in excess of the reserve price, for the provision of bundled products. <p>To start the work on:</p> <ul style="list-style-type: none"> • establishing joint nomination procedure for bundled products • definition of communication procedures to be developed for the implementation of CAM • definition of data exchange formats • alignment of information systems • establishing a single allocation procedures for bundled products

[^] The detailed timeline can be consulted in the SSE Regional Work Plan 2015–2018.

2.2.1.2 Early implementation of the BAL NC

In response to the invitation from the 25th Madrid Forum in May 2014⁴⁶, the Agency and ENTSOG started to follow up on the early implementation of the BAL NC in 2014. ENTSOG and the Agency cooperated to provide an overview of the implementation process in a report that presented the state of play on implementing the BAL NC provisions across the EU. The report was presented at the 26th Madrid Forum (15–16 October 2014).

On 5 November 2015, the Agency and ENTSOG jointly issued the second edition of the report on the status of the implementation of the BAL NC⁴⁷. The document, prepared before the implementation deadline of 1 October 2015, was based on the assessments provided by NRAs and TSOs to the Agency and ENTSOG.

The report shows that, overall, the implementation of the code is progressing along multiple time schedules and along several options. The BAL NC allows national flexibility in implementation in particular, with respect to, among other things, the implementation date, information model, types of interim measures, products procured by the TSOs on the trading platform, balancing services, linepack flexibility services and within-day balancing obligations.

Based on the information collected, the report shows the following:

- Ten countries⁴⁸ reported that they expected to implement the code by 1 October 2015.
- Five countries reported that they expect to implement the code by 1 October 2016.
- Ten countries⁴⁹ expect to implement all or part of the code by April 2019, applying interim measures in the intervening period.
- The information provision requirement shall be put in place fully by one-third of the countries.
- Fifteen countries still use or plan to use balancing services. These measures require an annual regulatory review.

46 European Commission web page dedicated to the Madrid Forum: <https://ec.europa.eu/energy/en/madrid-forum-previous-meetings> .

47 Second ACER-ENTSOG Report on the status of the implementation of the Balancing Network Code: http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Second%20ACER-ENTSOG%20Report%20on%20the%20status%20of%20the%20implementation%20of%20the%20Balancing%20Network%20Code.pdf .

48 Including Luxembourg, which holds a derogation according to Article 49 of Directive 2009/73/EC and provided information on the implementation of the code on a voluntary basis.

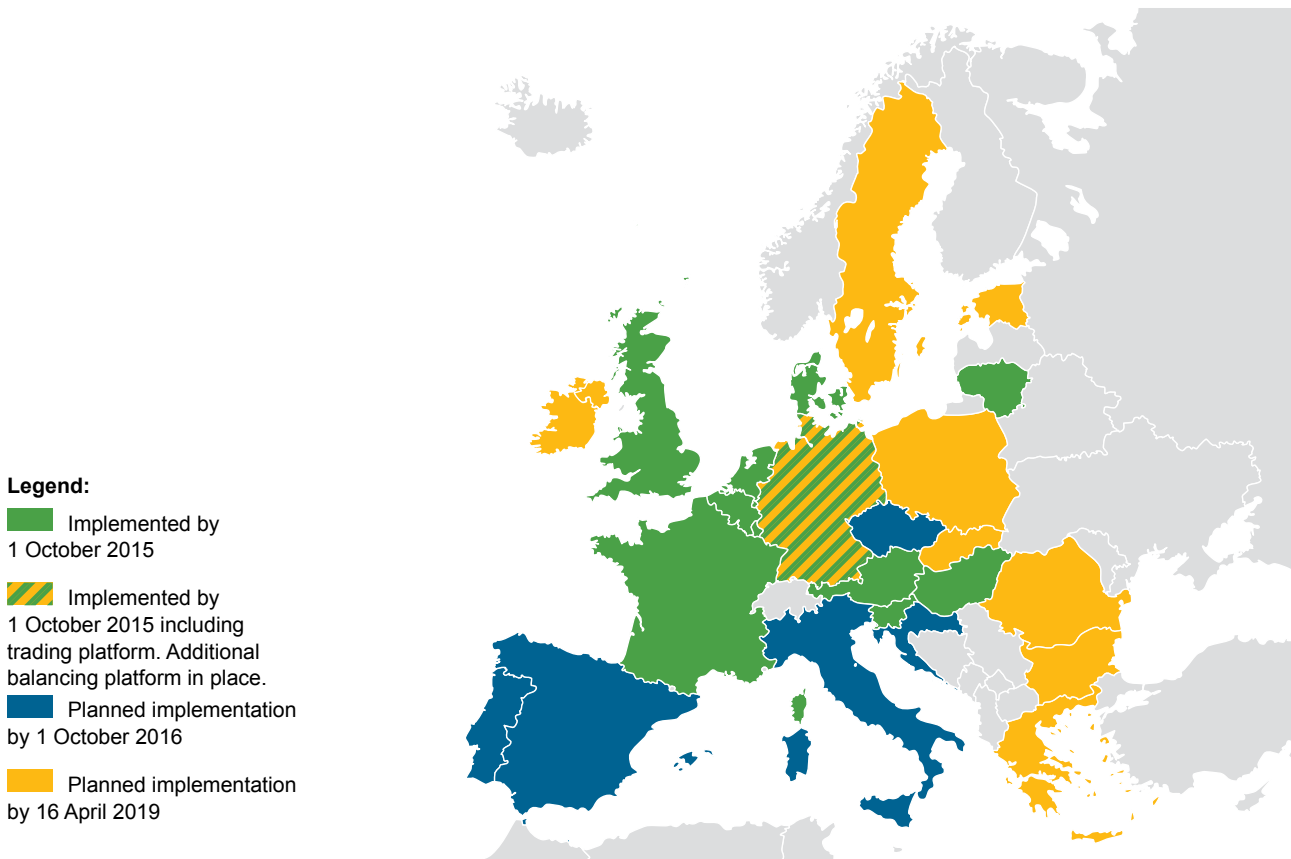
49 Including Estonia, which holds a derogation according to Article 49 of Directive 2009/73/EC and provided information on the implementation of the code on a voluntary basis.

- In 13 countries the possibility for the TSO to trade in adjacent balancing zones already applies or is provided for. These measures also require an annual regulatory review.

Where interim measures are implemented, most responses suggest that additional work is needed to ensure that there are sufficiently detailed plans for how these measures will work in practice. Countries should also plan how a timely transition will be conducted. These plans should be transparent and clearly communicated to market participants.

Figure 2.4 summarises the state of play of the BAL NC implementation in each MS⁵⁰ as at October 2015 by indicating the expected date of full implementation in each country.

Figure 2.4: Expected implementation of the BAL NC in the EU (as at October 2015)



The following two subsections address the challenges of the early implementation of the BAL NC from a regional perspective.

⁵⁰ The BAL NC is not yet applicable in the EnC CPs (cf. footnote 31). The ECRB assessed the EnC CPs' compliance with the BAL NC, as well as a possible stepwise implementation of the BAL NC in a 2013 report (https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCUMENTS?library.category=733).

**Early implementation
of the BAL NC in
the South GRI**

The goal in this area of the work plan is to advance cooperation on harmonising balancing regimes in the region. For this purpose, regulators have exchanged information on the implementation of the BAL NC in the three countries and have analysed the configuration of the national balancing zones and integration in the region to help developing hubs.

In France, the 'Trading region South' (TRS), a single market zone including GRT-gaz South zone and TIGF, was implemented on 1 April 2015. The implementation date of the BAL NC was 1 October 2015 and the relevant national regulation has been adopted (CRE deliberation⁵¹ of 15 January 2015).

In Spain, the implementation date of the BAL NC is October 2016. The CNMC Circular⁵² regulating gas balancing was published on 4 August 2015.

In Portugal, the BAL NC will be applicable as of 1 October 2016. In December 2015, ERSE launched a public consultation to take stock of progress in the implementation of the BAL NC, and to approve the new national balancing framework.

**Early implementation
of the BAL NC in
the SSE region**

Pilot project No 6, promoted by RAE, aims to harmonise the procedures for exchanging interim measures reports between the Greek and Bulgarian TSOs and NRAs.

RAE received DESFA's proposal for the first report on interim measures in April 2015. RAE approved it on 22 July 2015. In accordance with Article 27 of the BAL NC, RAE sent DESFA's report to EWRC for consultation. EWRC gave a favourable opinion on the report.

Given the lack of sufficient liquidity in the short-term wholesale gas market, DESFA suggested the implementation of interim measures until April 2019. The proposed interim measures are listed as follows.

- Continue to implement the existing balancing scheme, which is compatible with the provisions of the BAL NC.
- Establish a balancing platform acting as precursor for a trading platform. According to DESFA's report, the balancing platform will start operating in a pilot mode in 2016.
- Revise the regulatory framework to include within-day renomination cycle; obligations to book capacity in entry/exit points with the use of virtual nomination point (VNP) in all cases; change of the resale scheme in order

51 Deliberation of the French Energy Regulatory Commission of 15 January 2014 approving the balancing rules for the GRTgaz and TIGF transmission networks as from 1 April and 1 October 2015: <http://www.cre.fr/en/documents/deliberations/approval/balancing-rules-grtgaz-tigf> .

52 Circular 2/2015, of 22 July, of the CNMC establishing rules on balancing of the gas transport network: <http://www.cnmc.es/es-es/energ%C3%ADa/circularesenerg%C3%ADa.aspx> .

for the latter to take place at the VNP; differentiation in pricing of the daily gas imbalance; reduction of the tolerance limits.

In the meantime, EWRC followed the same procedure concerning Bulgartransgaz EAD's interim measures report. RAE gave a favourable opinion on Bulgartransgaz's interim measure report on 30 July 2015⁵³.

2.2.1.3 Early implementation of the IO NC

South region

The region has identified and addressed the priority issues to be harmonised by November 2015, simultaneously with the CAM and BAL NCs. These priority issues are the gas year, the gas day, data exchange and nomination/renomination procedures. Further work on these topics will continue in 2016 to fully comply with the IO NC by 1 May 2016.

In particular, NRAs will guarantee compliance with national and European rules. They work in collaboration with TSOs to supervise the transparency of the current interconnection agreements at the IPs, specifically regarding the information about rules for flow control, measurement principles for gas quality and quantity, rules for the matching process, rules for the allocation of gas quantities and communication procedures in case of exceptional events.

SSE region and Energy Community

As a lead coordinator of the Interoperability Implementing Group (IO IG), the Czech regulator ERO initiated the work on the coordinated implementation of IO NC provisions in June 2015, after the approval of the code on 30 April 2015. The two main directions identified are:

- to review the draft template agreement proposed by ENTSOG and analyse in detail the possibility of non-compliance with the national laws;
- to review the code and analyse its implications for the national infrastructure and existing agreements, followed by harmonisation activity in the IG.

The first IO IG meeting was held on 19 November 2015, in Bucharest. The main topics discussed were the interconnection agreement template (update on the comments received), the status of IO NC implementation, and potential barriers and good practices in IO NC implementation.

⁵³ Outside the work plan, it is worth mentioning that ANRE approved Transgaz's interim measures report in November 2015, based on the consultation with the neighbouring countries (Hungary and Bulgaria).

Pilot project No 5 addresses the early implementation of the IO NC⁵⁴. The Energy Community GWG and the other project promoter, URE, are involved in this project.

According to the wording of the IO NC, chapter IV, TSOs should cooperate in order to reduce barriers to cross-border trade resulting from gas quality and odourisation. When NRAs recognise such barriers, they will be entitled to intervene to remove them. The aim of pilot project No 5 is to check for the existence of the abovementioned barriers in order to overcome them before the application date of the IO NC.

Taking into consideration the fact that the European Commission is currently heavily involved in work on gas quality standards, the project is on hold until the next revision of the work plan.

2.2.1.4 Developments in other areas of the NC: CMP in the South region

TSOs and NRAs worked in a coordinated way on the CMPs harmonisation in the South region. The rules for the implementation of the three mechanisms already in force (over-subscription and buy-back (OSBB), capacity surrender and long-term use-it-or-lose-it) have been developed.

After the French, Portuguese and Spanish regulators approved the legislation, which was developed in a coordinated way, the work for 2015 focused on the adoption of a common OSBB methodology in the region.

The three TSOs involved have proposed the OSBB scheme, which was submitted to a public consultation⁵⁵ in September–October 2015. The document defines the specifications of communication, timelines for the additional capacity offer, calculation of trigger values, buy-back process, split of costs between TSOs for the buy-back procedure and the use of PRISMA.

After the six responses received have been evaluated, the scheme is expected to enter into operation in May 2016.

54 The IO NC is not yet applicable in the EnC CPs (cf. footnote 31).

55 http://www.acer.europa.eu/Gas/Regional_%20Initiatives/South_GRI/Public_Consultations/Pages/-Public-Consultation-on-the-proposal-for-the-Oversubscription-and-Buy-Back-scheme-in-the-Region.aspx .

2.3 Progress in other areas of the work plans

2.3.1 Progress in the South region

Besides the abovementioned achievements, in 2015 the region voluntarily progressed in a number of additional areas, with the following results:

Infrastructure This area of work focuses on a permanent framework for cooperation among TSOs, ENTSOG and stakeholders for the creation of investment plans, identification of projects of common interest (PCIs), cost-benefit analysis (CBA) methodology and cross-border cost allocation (CBCA) requests to prioritise the projects that benefit the region.

The candidate cross-border PCIs are:

- the third interconnection between Portugal and Spain
- MIDCAT between France and Spain.

Ministries, NRAs and TSOs from France and Spain held bilateral meetings to assess the MIDCAT interconnection.

In addition to PCIs, the South Gas Regional Investment plan will be published in 2017.

In addition, the project status of the Open Seasons 2013 and 2015 between France and Spain has been regularly updated on the ACER website when the required information from the three TSOs involved was received.

**Market integration/
hub development** At the beginning of the year, CNMC and ERSE prepared the evaluation of responses received (23) by stakeholders to the public consultation⁵⁶ in 2014, on the 'Study about models for the integration of the Spanish and Portuguese gas markets in a common Iberian natural gas hub'.

The Iberian gas market has been created after the adoption of national regulation in both countries. In May 2015, the Spanish Ministry of Industry, Energy and Tourism published the Act creating the organised market and, in October 2015, the Royal Decree regulating the Iberian gas market was adopted. In November 2015, CNMC issued a report giving information about the ministry's proposal for the gas market rules, and the law will be adopted in the near future.

In August 2015, the Portuguese Ministry of Environment, Planning and Energy published the regulation establishing the percentages of participation in the Iberian gas market promoter society, MIBGAS.

⁵⁶ Study about models for integration of the Spanish and Portuguese gas markets in a common Iberian Natural Gas Market: http://www.acer.europa.eu/Gas/Regional_%20Initiatives/South_GRI/Public_Consultations/Pages/PC-on-the-integration-of-the-ES-PT-gas-markets.aspx .

2.3.2 Progress in the South South-East (SSE) region

In addition to the previously mentioned achievements, in 2015 the SSE region was active on several pilot projects aiming at improving market integration. The list below describes the progress achieved.

Six pilot projects from the GRI SSE Work Plan 2015–2018 address market integration.

Pilot project No 7: since early 2014, intensive cooperation regarding market integration has been under way between Austria and the Czech Republic. The objective of this cooperation is the investigation of different possibilities to integrate the Czech and Austrian wholesale markets, taking into consideration the provisions of the Gas Target Model, including the construction of a direct interconnection pipeline called BACI. Regular meetings took place with all project stakeholders. Two models for market integration have been developed in more detail. The joint selection of the preferred model and the CBA are expected by 2016.

Pilot project No 8: with regard to the high-level market models considered for the integration of the V4 region, NRAs and TSOs were invited to perform an operational study evaluating the feasibility of multi-coupled market zones model in the V4 region. The operational study shall include analysis of legal and technical prerequisites, preliminary requirements for its implementation and resulting costs and benefits. Preliminary research and discussions on obtaining financing for the study of market design for V4 MSs are in progress. Because the study and the project have strong political implications and need multilateral support, the region will reconsider in spring 2016 whether or not to keep this project in the work plan. How the GRI can contribute to it is at present unclear.

Pilot project No 9: the Energy Community decided to assess the compliance of its contracting parties' TSOs with the transparency requirements of Directive 2009/73/EC and Regulation (EC) No 715/2009, including Annex I⁵⁷. The project, acknowledging the importance of transparency in establishing a common and competitive market, promotes the publication of the related data on the ENTSOG Transparency Platform. The project has met the first milestone: a questionnaire was circulated for completion by mid-September 2015; after that, a draft report was presented to ECRB GWG, in October 2015, and its approval is expected by early 2016. Enforcement steps will be addressed after the assessment.

Pilot project No 10: bearing in mind the fact that several virtual trading points (VTPs) have been established or improved in recent years across the region, it seems important to collect relevant information and data on their functioning (i.e. basic rules and conditions, level of liquidity, accessibility, licensing, etc.). E-Control will prepare a questionnaire about this and send it out in Q1 2016. In Q2 2016, E-Control aims to publish a presentation on a common information standard on VTPs to close this project.

57 Annex I to Regulation (EC) No 715/2009 as adopted in the EU by Commission Decision of 24.8.2012 (OJ L 231 of 28.8.2012 pp. 16 et seq.) is not yet part of the *EnC acquis*.

Pilot project No 11: the V4 NRAs agreed to compare their licensing requirements and practice, and to analyse whether or not the different licensing criteria presently in place could be aligned to facilitate the entry of new network users. The summary of the results was presented in Budapest at a V4 Gas Workshop organised by HEA in 2014. On the basis of the outcomes of the analysis, the V4 NRAs will begin discussions about the possible harmonisation of the licensing regimes in the V4 countries (i.e. common licence, licence passporting etc.). The project has been provisionally left out of the V4 Gas Forum's 2015 work programme, owing to important supply security issues. When this project was presented at the GRI SSE SG meeting in Warsaw, in May 2015, the stakeholders showed great interest in the theme. Therefore, it will be reactivated under the Czech V4 presidency. The common recommendations regarding the necessary legal adjustments are expected to be submitted to the V4 Gas Forum in Q4 2016. Based on the outcome of the pilot project, it will be decided whether or not to extend the assessment to the whole GRI SSE region.

Pilot project No 12: taking into consideration the fact that there is a need for further monitoring and assessing the implementation of Third Energy Package provisions, especially in relation to the entry into force of the new network codes, a questionnaire was prepared by E-Control and AEEGSI and was circulated among the SSE NRAs. The questionnaire aims to collect information on the work done and still to be done by SSE countries in order to be fully compliant with Third Energy Package provisions. The aim of the questionnaire is also to highlight interpretative differences of the EU market rules. Based on the results of the survey, action may be taken to speed up the process of compliance with the applicable rules. The project promoters presented the results in November 2015 at the regional meetings.

2.4 The way forward for the GRI

Future steps in the South region

The South GRI Work Plan 2015–2016 has established seven main areas, with specific tasks and deadlines for both years. From now on, the work focuses on the compliance with the tasks assigned for 2016, such as the implementation of codes and proposed amendments, in particular incremental capacity rules, and regional cooperation to reach an agreement on the decisions on CBCA requests by project promoters.

Also related to infrastructure, the implementation group will participate closely in the adoption of the future PCI lists, as well as in drawing up the regional network plans, highlighting the benefits of a higher involvement of the regulators from the beginning of the process.

Regarding market integration, the initiative will facilitate the development of the Iberian gas market by adopting the relevant rules and monitoring them in cooperation between the two countries. In this respect, the Gas Target Model provisions will be followed.

At this stage, with two NCs plus CMP guidelines applicable, it becomes important to pay attention to the task of monitoring the implementation of European rules at regional level. To perform this work efficiently and effectively, the regional initiative will have to take into account the specificities of the regions in terms of open issues, lessons learnt and the analysis of available results of market performance.

Finally, and following the conclusions of the last Madrid Forum, national regulators in France, Portugal and Spain, as active participants in the initiative, will work on the definition of efficient project management. The establishment of clearer responsibilities, deliverables and deadlines at regional level is crucial to progress towards a well-functioning internal energy market in the South region.

Future steps in the SSE and Energy Community

As previously mentioned in this report, the 26th Madrid Forum, in October 2015, held a strategic discussion on the role and future of gas regional initiatives. The current status of the EU internal market requires a more focused, problem- and result-oriented approach to regional cooperation, in the geographic structure that is best suited to resolving the identified issues. Such an approach should employ efficient project management, including clear responsibilities, deadlines and deliverables. The forum invited ACER, CEER and ENTSOG to put forward a template for such work involving the relevant parties by early 2016.

Such an approach would imply a deeper involvement of stakeholders and the establishment of clearer responsibilities, deliverables and deadlines at regional level. Close cooperation between NRAs and TSOs is needed, and strong support from the European Commission and ACER should be continued as well.

During the 10th Energy Community Gas Forum and back-to-back 32nd GRI Coordination Group meeting, the Energy Community secretariat has shown its will to start or to contribute to new pilot projects in the SSE region. Those projects may indirectly relate to infrastructure developments.

Another important project promoted by the European Commission is the High Level Group on Central East South Europe Connectivity (CESEC), which was established in February 2015. The members of the group are Austria, Bulgaria, Croatia, Greece, Hungary, Italy, Romania, Slovakia and Slovenia. Members agreed that the main purpose of the group will be to ensure that each Member State has access to at least three different sources of natural gas. The objective of the High Level Group is to establish a regional priority infrastructure roadmap and advance its implementation in order to develop missing infrastructure and improve security of gas supplies. Neighbouring countries will also be involved to ensure a regional approach beyond the borders of the EU.

At the moment, CESEC is managed at a different level than the regional initiative. Nonetheless, a possible new pilot project, which has already started within the Energy Community contracting parties, would aim to translate the CESEC memorandum of understanding into practical progress. In order to ensure the smooth implementation of CESEC, the pilot project would list, monitor and report on measures of national relevance, which constitute market preconditions for the effective deployment of CESEC. Such a pilot project could be included in an updated version of the regional work plan and thus be extended to other GRI SSE Member States.

According to the conclusions of the RCC and SG meetings, held in Bucharest on 19–20 November 2015, the region will reopen its work plan. The aim is to reevaluate, by the next regional meetings in spring 2016, the contribution of each pilot project to the goals of the European energy market. The projects are also valuable when they allow to tackle the identified gaps in the national framework that could hamper the principles of the single market. Among other objectives, the region could focus on solving the implementation challenges still in place for the CAM and BAL NCs, as well as the early implementation challenges of the IO NC.

At the IG, RCC and SG meetings of 19–20 November 2015, participants confirmed the importance of the GRI as a discussion forum for sharing implementation issues and best practices. In the SSE region, this value should not be underestimated: given the different levels of developments of the markets in the region, and the resources available to NRAs, TSOs and stakeholders to follow the intense regulatory activity carried out by the Agency's task forces, the GRI remains a unique opportunity for discussions and clarifications.

Beyond this, the Agency, the European Commission and the NRAs agreed that revising the work plan in order to streamline the activity of the region will also lead to better results in terms of deliverables, which are the intermediate steps necessary to reach the final goal of a single market for energy in the European Union.

LIST OF ABBREVIATIONS

4M MC	4 Markets Market Coupling
AEEGSI	Italian Regulatory Authority for Electricity Gas and Water
aFRR	Automatic Frequency Restoration
AGEN-RS	Serbian Energy Regulatory Authority
ANRE	Romanian Energy Regulatory Authority
BAL	Balancing
BSG	Balancing Stakeholder Group
CACM GL	Capacity Allocation and Congestion Management Guideline
CAM	Capacity Allocation Mechanism
CBA	Cost Benefit Analysis
CBCA	Cross-Border Cost Allocation
CEE	Central-Eastern Europe
CEER	Council of European Energy Regulators
CESEC	Central and South Eastern Europe Connectivity
CMO	Common Merit Order
CMP	Congestion Management Procedures
CNMC	Spanish Regulatory Authority
CoBA	Coordinated Balancing Area
CRE	French Energy Regulatory Authority
CROPEX	Croatian power exchange
CSE	Central-South Europe
CWE	Central-West Europe
DA	Day-ahead
DC	Direct Current
DESFA	Greek TSO
EB NC	Network Code on Electricity Balancing
ECRB	Energy Community Regulatory Board
E-GCC	e-Grid Control Coordination
EnC	Energy Community
EnC CP	Energy Community Contracting Party
ENTSO-E	European Network of Transmission System Operators for Electricity
ENTSOG	European Network of Transmission System Operators for Gas
EPC	European Price coupling
ERI	Electricity Regional Initiative
ESA	Early Start Agreement
EU	European Union
EWRC	Bulgarian Regulatory Authority for Energy and Water
FB	Flow-Based
FBMC	Flow-Based Market Coupling
FCA GL	Forward Capacity Allocation Guideline
FCR	Frequency Containment Reserve
FG	Framework Guideline
FPA	Framework Project Agreement
FTR	Financial Transmission Right
FYR	Former Yugoslav Republic (of Macedonia)
GCA	Gas Connect Austria (one of the Austrian TSOs)

GRI	Gas Regional Initiative
GSA	Gaz-System (Polish TSO) capacity auction platform
GTM	Gas Target Model
HAR	Harmonised Allocation Rules
HEA	Hungarian Energy Regulatory Authority
IBEX	Bulgarian power exchange
IBWT	Italian Border Working Table
IEM	Internal Energy Market
IG	Implementation Group
IGCC	International Grid Control Cooperation
IP	Interconnection Point
IO	Interoperability and Data Exchange Rules
ISP	Imbalance Settlement Period
I-SEM	Integrated Single Electricity Market
IT	Information Technology
JA0	Joint Auction Office
LIP	Local Implementation Project
MESC	Market Electricity Stakeholder Committee
mFRR	Manual Frequency Restoration
MMR	Market Monitoring Report
MRC	Multi-Regional Coupling
MS	European Union Member State
NC	Network Code
NEMO	Nominated Electricity Market Operator
NRA	National Regulatory Authority
NTC	Net Transfer Capacity
NW	North-West
NWE	North-West Europe
0FGEM	Office of Gas and Electricity Markets for United Kingdom
PCI	Project of Common Interest
PTR	Physical Transmission Right
PX	Power Exchange
RAE	Greek Energy Regulator Authority
RBP	Regional Booking Platform
RCC	Regional Coordination Committee
REN	Rede Eléctrica Nacional (Portuguese Gas TSO)
RI	Regional Initiative
RPM	Regulating Power Market
RR	Replacement Reserves
SAP	Single Allocation Platform
SG	Stakeholders Group
SOO	Security-Oriented Option
SSE	South South-East
SWE	South-West Europe
TIGF	Transport Infrastructures Gaz France (one of the French TSOs)
ToR	Terms of Reference
TR	Transmission Right

TRS	Trading Region South
TSO	Transmission System Operator
UIOLI	Use-It-Or-Lose-it
URE	Polish Energy Regulatory Authority
V4	Visegrad Four region
VIP	Virtual Interconnection Point
VNP	Virtual Nomination Point
VTP	Virtual Trading Point
WD	Within-day
XBID	Cross-Border Intraday



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