



Publishing date: 09/11/2012

Document title: Gas Regional Initiative Quarterly Report - Q3 2012

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**Gas Regional Initiative
GRI Coordination Group**

GRI Quarterly Report

Q3 2012

July – September 2012

Final version
6.11.2012

A12-GRI-03

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1 Context

The entry into force of the Third energy package and the strong commitment of the Member States to complete the internal energy market by 2014 sets a **firm regulatory, institutional and political background** to achieve this goal. Nevertheless, 2014 remains an ambitious target date, which requires genuine commitment to the goal of integrating the regions into a single market and the actual mobilization of stakeholders through the Regional Initiatives process, now under ACER's responsibility.

To this end, national regulatory authorities (NRAs) were mandated to elaborate, at the European Commission's request and under the coordination of ACER, a **European Energy Work Plan for 2011-2014** based on clear, commonly agreed objectives and milestones. Following this request, the three gas regions drafted Regional Work Plans for 2011-2014, outlining the pilot projects and other areas of work to be developed in the coming years. The Work Plans are meant to be the main reference for work under the GRI framework, and a true roadmap leading to the completion of the Internal Energy Market (IEM) in 2014. The initial version of the Work Plans was sent to the European Commission and to ACER in the summer of 2011 and was presented in the 20th Madrid Forum in September 2011.

In March 2012, ACER released its first **Status Review report 2011 on the Regional Initiatives**. In this report, the Agency made some recommendations for GRI work. In particular, ACER encouraged the GRI Work Plans to reflect more explicitly the 2014 target for the completion of the IEM, stated that convergence among the plans should be enhanced and, as recommended by the XX Madrid Forum, called for a greater focus on projects in those areas which are most instrumental for the completion of the IEM, in particular capacity allocation and infrastructure. Finally, ACER reminded that the Regional Work Plans should be continually reviewed and updated.

Responding to this request, the Lead Regulators presented a new updated version of their Work Plans in the **XXI Madrid Forum**, held in March 2012. The Forum¹ welcomed the Work Plans and the greater focus to pilot projects for testing the early implementation of network codes. ENTSOG committed to encourage TSOs, with the full involvement of relevant NRAs and Member States, to work towards setting up regional pilot projects and regional pilot platforms on CAM, following the principles of the CAM Framework Guideline and Network Code under development.

Responding to this commitment, an **initial Implementation Roadmap** based on these **pilot projects** is being developed by ACER and ENTSOG in cooperation with TSOs and national regulators. The first steps were taken in July 2012, with a **meeting in Ljubljana** between ACER, ENTSOG and relevant TSOs and NRAs, with the participation of the European Commission.

A draft of the **CAM Implementation Roadmap** was drafted during Q3 2012 and has been presented at the **XXII Madrid Forum** on 2-3 October 2012. The Forum¹ endorsed this work with enthusiasm and encouraged TSOs and NRAs to proceed with the early implementation of the CAM NC. The Forum invited as well ACER and ENTSOG to promote the **convergence** of ongoing projects to avoid duplication of costs, as well as to report on progress in the Roadmap implementation at next sessions of the Forum.

¹ http://ec.europa.eu/energy/gas_electricity/gas/forum_gas_madrid_en.htm

2 Objective of the Quarterly report

This Quarterly report aims at monitoring progress in the implementation of the pilot projects and areas of work planned in the Regional Work Plans, with a focus on the priority areas as determined by the Lead NRAs, under the guidance of the European Commission and ACER. The report serves as well to report and keep track in the areas where regional and eventually cross-regional work is to be developed, starting with Capacity Allocation Mechanisms (CAM).

3 Areas for cross-regional integration of GRI work

3.1 Capacity allocation (CAM Pilots & Platforms)

Implementation Roadmap on CAM

The Madrid Forum has agreed² that CAM should be one of the priority areas for pilot work at regional level and early implementation of the Framework Guideline and Network Code. In the XXI Madrid Forum, it was agreed that an initial implementation roadmap will be developed by TSOs, lead regulators and relevant NRAs, based on pilot projects for capacity allocation and as a second step regional allocation and booking platforms.

Capacity allocation is also the area where the development process of Framework Guidelines and Network Codes is most advanced. ACER published its Framework Guideline on 3 August 2011, and based on it ENTSOG has presented its final (revised) Network Code – after issuance of ACER's Reasoned Opinion on the draft NC – on 17 September 2012.

The detailed working arrangements and time schedule for the elaboration of the CAM Implementation Roadmap were discussed among ACER, ENTSOG, GRI Lead Regulators and relevant TSOs in a meeting in Ljubljana on 26 July 2012. This meeting kicked off this work and represented a relevant first step towards the achievement of the Roadmap. At the meeting, consensus was reached among all participants on the main goals and governance of the process, the main projects for the early implementation of the CAM NC were presented and the way forward was agreed for the completion of the Roadmap until the end of the year 2012.

ENTSOG and ACER are currently working on the CAM Roadmap, together with TSOs and NRAs, who will be the key actors in order to design and develop the projects, and make sure that the regulatory framework allow for their implementation, respectively. A draft of the CAM Roadmap was presented at the XXII Madrid Forum in October 2012, obtaining a very positive reaction from stakeholders and the endorsement from the whole Madrid Forum.

List of projects currently included in the CAM Roadmap

At the end of Q3 2012, the following projects on CAM were planned to be part of the CAM Roadmap:

² See conclusions of 20th and 21st meetings in September 2011 and March 2012, respectively.

#	Project	Countries involved	Region(s) involved	Starting	Deadline
1	Regional booking platform for CAM (NW)	NL, DE, DK, BE, FR	NW	Q2 2012	Q2 2013
1a	Pilot project GTS and Gasunie Deutschland on CAM NC	NL, DE	NW	Q1 2012	Q2 2012
1b	Bundled product at Eynatten IP	BE, DE	NW	Operational since Q3 2011	
1c	Bundled product at Taisnières-H IP	BE, FR	NW	Operational since Q4 2011	
1d	Bundled product at Obergailbach IP	DE, FR	NW	Operational since Q1 2012	
2	OSP France-Spain: annual allocation of bundled short-term capacities	ES, FR	South	Nov. (yearly)	Dec. (yearly)
3	CAM harmonisation proposal between Spain and Portugal: pilot testing of FG-NC on CAM	ES, PT	South	Operational since Q3 2012	
4	CAM harmonisation proposal in the whole region: implementation of the CAM NC	ES, FR, PT	South	Jan. 2012	2014
5	Set up a common TSOs' Allocation Platform	South and North-West Europe	South/NW	Jul. 2012	Dec. 2014
6	Bundled Product - pilot at Lasów IP	DE, PL	NW-SSE	Oct. 2011	Jun. 2013
7	Bundled capacity allocation	AT, IT	SSE	2011	2012-2013
8	GATRAC bundled products	DE, CZ, SK	SSE	2011	2012+
9	Hungary/Romania Capacity bundling project	HU, RO	SSE	Q4 2012	2013

Progress review during this quarter

Project 1	Regional booking platform for CAM (NW)
Description of the project	Sixteen European TSOs have taken the initiative to bundle their efforts and wide experience in the field of capacity booking platforms to move towards a joint European capacity platform. The platform will be able to handle different capacity products, offer auction mechanisms and serve different TSO backend systems. The platform will also have a secondary market function. The aim is to make the platform operational by April 2013.
Significant achievements and state of play	A Memorandum of Understanding was signed in March 2012, defining the shape of this new capacity platform to meet future

	European market rules. Over the summer, the process & functional specifications were defined and currently the ICT specifications are defined.
Obstacles or delays in the implementation	Currently not known.
Potential divergences with the related FG-NC	None (as far as can be seen).
Actions to overcome obstacles or delays, and potential divergences with the related FG-NC	In November, a meeting with the TSOs (and NRAs) that are involved in the platform will take place, as to timely ensure that any obstacles that could delay the due implementation of the platform are identified and sufficiently dealt with.
Comments	This project is performed by 16 TSOs that are active in five countries of GRI NW (bottom-up approach).

Project 1a	Pilot project GTS- Gasunie Deutschland on NC CAM (NW)
Description of the project	<p>As of 22 May 2012, Gas Transport Services B.V. (GTS) and Gasunie Deutschland Transport Services GmbH (GUD) have started to auction a bundled firm day-ahead capacity product at Oude Statenzijl via Trac-X, the German primary capacity platform. For this product, there is a reserve price equal to the sum of the regulated tariffs of GTS and GUD.</p> <p>For GTS, the bundled capacity auction serves as a stepping stone for the introduction of auctioning on more interconnection points. The expansion of the pilot project is expected around 1 April 2013. The current pilot project, and its expansion early next year, should pave the way for the full implementation of the CAM Network Code, once this NC becomes part of the regulation.</p>
Significant achievements and state of play	Since the start of the pilot project on 22 May 2012, over 50 market participants have registered at Trac-X in order to be able to buy day-ahead capacity at Oude Statenzijl. So far 9 participants were active in buying the capacity product.
Obstacles or delays in the implementation	There are some legal challenges for implementing rules before it becomes part of the legislation. First of all, the national network code does not allow for GTS to auction capacity, only capacity allocation on the basis of first-come-first-served is allowed. For this pilot, GTS requested an exemption from this obligation, and NMa granted it to them. Secondly, GTS is price-cap regulated. NMa sets the regulated tariff, while with auctioning (with the regulated tariff as reserve price) there could be a price which is higher than the regulated tariff. GTS requested to allow to deviate from the regulated tariff for the purpose of this pilot only and NMa permitted this.
Potential divergences with the related FG-NC	
Actions to overcome obstacles or delays, and potential divergences with the related FG-NC	There were no further regulatory obstacles.

Comments	This project is performed by two TSOs that are active in two countries of GRI NW (bottom-up approach).
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Project 1b	Bundled product at Eynatten IP (NW)
Description of the project	Since 14/09/2011, a new bundled hub-to-hub service or product has been offered on the existing platform Capsquare. Across the Eynatten Interconnection Point between Belgium (Fluxys Belgium) and Germany (OGE), capacity was offered to ship gas from the Zeebrugge Hub to the NCG hub. The first capacity was already sold on 27/09/2011. Since that date, activity has been registered during 10% of the time period of one year, meaning in total 36 transactions up to a total of 10.654 MWh/h of Day-ahead capacity sold for a daily basis.
Comments	

Project 1c	Bundled product at Taisnières-H IP (NW)
Description of the project	Since Q4 2011, day-ahead capacity products are offered jointly by GRTgaz and Fluxys from Zeebrugge Hub to PEG North and from PEG North to Zeebrugge Hub. In addition, bundled monthly capacity products are offered from Zeebrugge Hub to PEG North. The trading platform Capsquare is used for this purpose.
Comments	These commercial offers will be transferred to the regional pilot platform once operational.

Project 1d	Bundled product at Obergailbach IP (NW)
Description of the project	Since Q1 2012, bundled monthly and day-ahead capacity products are offered jointly by GRTgaz and GRTgaz Deutschland from NCG to PEG North and from PEG North to NCG. The trading platform Capsquare is used for this purpose.
Comments	These commercial offers will be transferred to the regional pilot platform once operational

Project 2	OSP France-Spain: annual allocation of short-term capacities (South)
Description of the project	Annual short-term Open Subscription Periods with pro-rata allocation for 20% of the existing capacities between Spain and France
Significant achievements and state of play	Planned starting date: November every year. The plan is to sell capacity in November 2012, for the period from April 2013 to March 2014, with the pro-rata allocation as programmed. After this procedure, CAM products will be harmonized following CAM NC requirements.
Obstacles or delays in the implementation	None
Potential divergences with the related FG-NC	Allocation based on a pro rata mechanism, not auction
Actions to overcome obstacles or delays, and	The alignment of this annual short-term OSP allocation procedure (pro-rata) with ACER's FG and ENTSOG's

potential divergences with the related FG-NC	proposal for a Network Code on CAM (auctions) will be carried out through projects 3 and 4.
Comments	

Project 3	CAM harmonisation proposal between Spain and Portugal (South)
Description of the project	Pilot testing of FG-NC on CAM: harmonisation of CAM and application of a joint mechanism at interconnection points between Spain and Portugal.
Significant achievements and state of play	<p>The joint auction process took place between July and September. The capacity was offered for the gas year, running from 1st Oct. 2012 to 30th Sep.2013.</p> <p>National regulation containing the basis of the procedure in Spain and Portugal was approved in June.</p> <p>The Information Memorandum explaining the details of the procedure was approved in June.</p> <p>Some shippers were prequalified but no one was accredited as qualified to participate neither in the firm yearly products auction nor in monthly products auction. Therefore, no firm capacity was allocated in the process. Consequently, no interruptible products auctions took place.</p>
Obstacles or delays in the implementation	None
Potential divergences with the related FG-NC	Although the CAM pilot project follows basically ENTSOG's Network Code, some differences remain in the auction design and other less relevant aspects like the auction mechanism, due to the need to develop IT systems.
Actions to overcome obstacles or delays, and potential divergences with the related FG-NC	The pilot has been useful to identify which regulations had to be adapted, which documentation and processes had to be developed, and to raise awareness among shippers of the implications of the NC.
Comments	<p>The results of the coordinated auction were presented in the 17th SG meeting on 27th September.</p> <p>Remaining differences between the designed auction in the region and the CAM NC stem from the fact that the pilot project started before ENTSOG published on 6 March 2012 its proposal of NC, which suffered several modifications during its elaboration process. However, future applications of the mechanism in the South Region will have the final CAM Network Code version into account specifically if a IT platform is available</p>

Project 4	CAM harmonisation proposal in the whole region (South)
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Description of the project	Pilot testing of FG-NC on CAM: harmonisation of CAM and application of joint mechanisms in the gas interconnections in the whole South region
Significant achievements and state of play	Experience gained with the CAM pilot testing project between Portugal and Spain. Once this auction is launched, the South region will focus their efforts on completing the full harmonisation in the region, complying with ENTSOG CAM NC. A Roadmap on CAM harmonisation in the South Region will be elaborated along 2013, in order to be ready to implement it in 2014 also in the French-Spanish interconnection.
Obstacles or delays in the implementation	Not applicable (not started yet)
Potential divergences with the related FG-NC	Not applicable (not started yet)
Actions to overcome obstacles or delays, and potential divergences with the related FG-NC	Not applicable (not started yet)
Comments	

Project 5	Set up a common TSOs' Allocation Platform in the South region: Roadmap and Implementation (South)
Description of the project	Development of a platform to support coordinated capacity allocation in the South region, in close cooperation with the other two regions.
Significant achievements and state of play	Not applicable (not started yet)
Obstacles or delays in the implementation	Not applicable (not started yet)
Potential divergences with the related FG-NC	Not applicable (not started yet)
Actions to overcome obstacles or delays, and potential divergences with the related FG-NC	Not applicable (not started yet)
Comments	Related projects planned in the other regions will serve as a reference. The analysis of the possible direct adherence to neighbouring capacity platforms already in operation will also be considered. A roadmap for implementation is being developed as a first step in coordination with other initiatives. Consequently, the South region is closely monitoring other initiatives on this field in Europe. Operators in the South region are working to join the NW platform, participating in the developments of the Joint Capacity Platform Initiative discussions on early CAM NC implementation.

Project 6	Bundled Product - pilot at Lasów IP (NW-SSE)
Description of the project	The firm capacity from the German market area GASPOOL to Poland will be offered by auctions organized in line with NC CAM. The first 3 quarters of 2014 will be offered during

	auctions organised in June 2013. Only quarterly products will be offered. The project covers all capacity at Lasów IP which can be bundled for the gas year 2013/2014.
Significant achievements and state of play	The concept of the pilot project prepared by TSOs was accepted by both NRAs involved. The next step – market consultation of terms and conditions of the auction – is planned for November 2012.
Obstacles or delays in the implementation	Currently not known.
Potential divergences with the related FG-NC	Currently not known.
Actions to overcome obstacles or delays, and potential divergences with the related FG-NC	None.
Comments	The aim of the project is to gain experience before NC CAM enters into force.

Project 7	Bundled capacity allocation Austria-Italy (SSE)
Description of the project	This pilot project covers the work carried out by TSOs and NRAs at the Tarvisio/Arnoldstein IP towards implementing coordinated auction procedure for a bundled product to promote trading at the IP.
Significant achievements and state of play	<p>Background: On the Austrian side, the TSO TAG started auctioning day-ahead interruptible capacity on 1 March 2012. On the Italian side, the regulator AEEG modified the rules for using entry capacity at Tarvisio such as to allow shippers to nominate an extra amount of capacity according to the results of TAG's daily auction. The auction, despite not fully in line with the pilot project foreseen in the Work Plan, was well accepted by shippers, and some price convergence was already observed between the Austrian hub in Baumgarten and the Italian market (PSV).</p> <p>Latest developments:</p> <ul style="list-style-type: none"> - E-Control and AEEG started a joint market survey to collect stakeholders' feedback on a set of guidelines aimed at driving the implementation of the day -ahead capacity allocation by the TSOs. - The "<i>Joint E-Control-AEEG Guideline on a day-ahead capacity allocation mechanism at the Austrian/Italian border</i>" was published simultaneously on the websites of both Regulators on 28 September 2012. The consultation ends on 19 October 2012. - AEEG confirmed (resolution No. 390/2012/R/gas) the interim measures introduced in March to allow shippers obtaining capacity in TAG's daily auction to enter the Italian system. These measures will be applied until the entry into of force of the Joint Guidelines. - TAG and Snam Rete Gas have expressed their willingness to participate in the NW Regional Booking Platform for CAM

	and to use it in order to perform the joint allocation of bundled day-ahead capacity products.
Obstacles or delays in the implementation	Different rules (renomination) still apply at IT/AT border and the auction has been done unilaterally for now. The goal is a coordinated auction for capacity at both sides of the point.
Potential divergences with the related FG-NC	The final target of the project is in line with FG CAM and NC CAM and it will be achieved by interim steps due to the complexity of the issue.
Actions to overcome obstacles or delays, and potential divergences with the related FG-NC	<ul style="list-style-type: none"> - Setting up of an ad-hoc Working Group between AEEG and E-Control, dealing with all subjects related to the exchange of gas between the Austrian and Italian gas systems. - Closer collaboration between TSOs promoted and monitored strictly by NRAs.
Comments	Great interest showed by market participants already in the first phase of the project.

Project 8	GATRAC bundled products (SSE)
Description of the project	This project aims at extending to other IPs the services offered by the GATRAC platform in terms of bundled capacity allocation. The first step is to focus on a possible extension to the IP Lanzhot (CZ/SK) and Baumgarten (SK/AT).
Significant achievements and state of play	eustream joined the platform in September 2012. eustream and NET4GAS work together with NCG and an IT provider to implement day-ahead products, in analogy to the products already offered with Ontras and GRTGaz. Joint test sessions are scheduled in June 2012 and the full operation of the product is expected at the beginning of July 2012. At the GRI SSE Stakeholder Group meeting of 31 May 2012, shippers and traders expressed their support for GATRAC and a positive opinion on the project.
Obstacles or delays in the implementation	Hesitance of some TSOs given the fact that a common European platform will need to be established following the provisions in CAM FG-NC. Participating in a platform before the entry into force of the NC carries, according to them, the risk of sunk cost. Some technical barriers are delaying the entry of new participants.
Potential divergences with the related FG-NC	The allocation performed by the platform is at present not in line with FG and NC CAM provisions, since it follows a first-come-first-served (FCFS) procedure. Ways to adapt the allocation procedure of GATRAC to the requirements of the NC CAM will need to be found.
Actions to overcome obstacles or delays, and potential divergences with the related FG-NC	The development of an explicit auctioning procedure for bundled products would serve to reach full compliance with the NC.
Comments	GATRAC could be considered as a good starting point to develop a regional platform in the future. Invitations to other

	TSOs to join the platform have repeatedly been issued. The positive feedback from shippers and traders is to be taken into account.
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Project 9	Hungary/Romania Capacity bundling project (SSE)
Description of the project	The aim of the project is to implement Capacity bundling according to the FGSZ-Transgaz MoU on Cooperation.
Significant achievements and state of play	The HU/RO interconnector went operational in Autumn 2010. The project was eligible for EPR funding. It serves the purposes of both market facilitation and security of supply. FGSZ and Transgaz signed an MoU in July 2012 in order to cooperate on 3 rd Energy Package issues, establishing joint working groups for: <ul style="list-style-type: none"> - Capacity bundling (pilot project #1) - Alignment of network usage dimensions (pilot project #2) - Operational balancing - Commercial balancing (pilot project #3) - Bidirectional interconnection
Obstacles or delays in the implementation	Not reported.
Potential divergences with the related FG-NC	Not reported.
Actions to overcome obstacles or delays, and potential divergences with the related FG-NC	Not reported.
Comments	

4 Progress Review of other regional projects

4.1 South region

4.1.1 CMP harmonisation proposal

Description of the projects and activities under this work area

The final goal of the South Region on CMP for 2014 would be having in place coordinated and harmonized CMPs in all the interconnections in the region. The activities planned to reach this goal are the design of a CMP pilot project in the interconnection between France and Spain and the extension of this coordinated CMP mechanism to the cross-border capacity between Spain and Portugal.

Regarding the implications of the regulation recently approved with the new CMP guidelines (EC Decision of 24 August 2012, amending Annex I of Regulation (CE) 715/2009), the TSOs in the region will develop a detailed plan (Roadmap) on CMP harmonization to be presented at the next IG meeting.

Work developed and main achievements in this quarter

A detailed proposal for long term UIOLI harmonisation to be applied at the Spanish-French border has already been developed by TSOs. Final adjustments of the proposal will be made accordingly to the final CMP regulation. Stakeholders, TSOs and Regulators have started discussions on the best way to implement the overselling and buy-back mechanisms foreseen by the CMP regulation at all interconnections.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
CMP harmonisation proposal between Spain and France	Jan. 2011	Dec. 2012	Ongoing	
CMP harmonisation proposal between Spain and Portugal	Jan. 2012	Jan. 2013	Ongoing	

4.1.2 Investment in new Infrastructure

Description of the projects and activities under this work area

Creation of a permanent framework of cooperation between TSOs in the region, ENTSOG and Stakeholders, for the elaboration of the Community-wide and Regional Investment plans, update of the GRIP and its implementation, and the identification of the projects of common interest in the region.

Work developed and main achievements in this quarter

The GRIP of the South region was submitted to public consultation during Q1 2012. One response was received, which mainly underlined the need for a deeper analysis and for justifying the infrastructures proposed in the GRIP, as well as more information on the required financing to develop these infrastructures. Deadline for Stakeholders to send comments on the GRIP was extended to mid-June. Regulators are preparing a common position on the SGRI GRIP, which will feed into ACER's Opinion on the GRIPs.

Additionally, the South lead regulator is participating in the meetings of the EIP regional working group for North-South Interconnections in Western Europe, organized by EC in order to identify the projects of common interest (PCIs) in this corridor.

Finally, in early June TSOs sent information to the regulators on the current status of the investments associated with the Open Seasons (OS) 2013 and 2015, which have been published on ACER's website.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Regular update and publication in CEER website of project status of OS 2013 and 2015	Dec. (yearly)	Jun. (yearly)	Completed (for 2012)	
Drafting of the South Regional Investment Plan 2012	Jul. 2011	Jan. 2012	Completed	
Feedback to ENTSOG on contents and methodology of the regional investment plan	Jan. 2012	Jul. 2012	Ongoing	
Input to ENTSOG for the Community-wide TYNDP 2013	Jan. 2012	Jan. 2013	Not started yet	
Creation of a working group in the region in order to test the process of PCI identification	Mar. 2012	Dec. 2012	(*)	
Drafting of the South Regional Investment Plan 2014	Jan. 2013	Jan. 2014	Not started yet	

(*) The identification of PCIs is being carried out through specific regional working groups fit for that purpose.

4.1.3 Security of supply

Description of the project

The objective is to contribute to the implementation of the Regulation 994/2010, providing a forum where relevant authorities of the three countries can present progress on this issue and exchange experiences that can help them to reach this target, as well as to promote both regional and cross regional cooperation in security of supply matters with an active participation of stakeholders.

Work developed and main achievements in this quarter

During this quarter, there has not been any significant news relating to the implementation of Regulation 994/2010 in the region.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Periodically update on progress on Regulation 994/2010 implementation	Permanent	Permanent	Ongoing	
Promotion of market's participation through public consultations in the development of preventive action plans	Permanent	Permanent	Ongoing	

4.1.4 Balancing

Description of the project

This project aims to allow the region to be in full compliance with the provisions of the Balancing Network Code, by means of contributing to the finalisation of ENTSOG's Network Code with the experience gained at the national and regional level, investigating the use of the existing and coming organised gas markets in the region for the procurement of gas for balancing purposes, analysing the current configuration of the balancing zones in the region and their possible integration and, as a result, launching a pilot project for a common balancing platform integrating balancing systems in the region.

Work developed and main achievements in this quarter

All the regional actors – regulators, TSOs and other stakeholders – have actively participated in the discussion of ENTSOG's Network Code through ENTSOG's workshops, ACER's meetings, etc.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Contributing to the FG and NC, by raising the regional experience and lessons learned	Permanent	Permanent	Ongoing	

Investigation of the use of the gas markets in the region for balancing purposes	Jun. 2012	Jun. 2013	Not started yet	
Analyse the current configuration of balancing zones and possible merging of certain areas	Jan. 2013	Dec. 2013	Not started yet	
Pilot project for a common balancing platform in the three countries	Jan. 2014	Dec. 2014	Not started yet	

4.1.5 Tariffs

Description of the project

The objective is the harmonization of transmission tariff structures, initially at cross-border points between Portugal and Spain, through the realisation of a joint study for comparing the current tariff regimes in both countries, and in particular for gas consumed in a country with entry in the adjacent one, to analyse the existence of “pancaking” and identify other possible obstacles and proposals for improvement.

Studies would be carried out proposing improvements in the tariff structures.

Work developed and main achievements in this quarter

Regulators have finalized the analysis of the responses received during the public consultation of the study on cross-border transmission tariffs in the Iberian Peninsula. ERSE and CNE have analysed the comments received and have elaborated a Final Document. A summary of the comments of the stakeholders has been published. General conclusions point to the fact that Stakeholders agree on the tasks included in the SGRI Work plan for 2011-2014. Stakeholders consider that full transposition of the EC Third package should be the basis for the regulatory harmonization, and that a convergent goal for the regulatory harmonization is needed. They also favour the adoption of transitory measures, either on the regulatory side or on the operational side, as it can produce results in the short term.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
CNE-ERSE joint study on tariff regimes in Spain and Portugal	2010	Dec. 2011	Completed	
CNE-ERSE proposal for tariff harmonization in Spain and Portugal	2010	Dec. 2012	Ongoing	

Further studies to evaluate the current tariff structures and propose improvements	Jan. 2012	Dec. 2012	Not started yet	Waiting for results of tariff harmonization experience in each country
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4.1.6 Interoperability

Description of the project

The project seeks for contributing to the development of the FG and the NC, building upon the regional experience and harmonising interoperability aspects in line with the outcome of the FG and the NC developed on this area.

Work developed and main achievements in this quarter

The region is closely following the discussions to elaborate the Interoperability FG and Network Code and its members are actively participating in workshops and meetings organized to this aim.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Contribution with the regional experience to the development of the FG and the NC	Permanent	Permanent	Ongoing	
Harmonization of procedures and interoperability aspects considered necessary by the operators and stakeholders in the region, in line with the provisions of the FG and the NC.	Jan. 2013	Jan. 2014	Not started yet	
Development of specific proposals for the harmonisation of aspects such as gas day, communication protocols between TSOs, quality standards, programming and nomination schedules, etc.	Jan. 2014	Dec. 2014	Not started yet	

4.1.7 Implementation of the 3rd Package

Description of the project

The aim in this area is the supervision and promotion of compliance with the implementation of the provisions on transparency in the Regulation 715/2009/EC, for transmission, LNG and storage infrastructure operators.

Work developed and main achievements in this quarter

In early December 2011, and following the same methodology than used in the North region, NRAs of the South region sent to TSOs, and also to LSOs and SSOs, a questionnaire to check their compliance with the transparency provisions in Regulation 715/2009/EC.

A public consultation on operators' responses to the questionnaires from the operators was opened until 20th April. Since little participation was registered (only five responses were received), regulators extended the deadline for stakeholders to send comments till mid-June.

Preliminary conclusions on the responses received show a significant level of compliance, although there is some room for improvement regarding an easy and direct access to the information. The consultation also showed that subjective criteria, misunderstanding and particular national conditions can lead to different interpretations of compliance level.

Regulators have elaborated a Final Report that describes the monitoring process, the evaluation of the compliance, the assessment of stakeholders' responses, the conclusions of the assessment and all questionnaires received from operators. The Final Report was presented in the SG meeting on 27 September.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Supervision of compliance with the implementation of the new provisions on transparency in Regulation 715/2009/CE, for transmission, LNG and storage infrastructure operators	Sep. 2011	Jun. 2012	Completed	

4.1.8 Developing hub-to-hub trading in the South region

Description of the project

Promotion and endorsement of organised gas markets (hubs) and development of a true hub-to-hub gas trading in the region.

Work developed and main achievements in this quarter

This project is foreseen to start in 2013.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Hub development	Jan. 2013	Dec. 2013	Not started yet	
Hub-to-hub trading	Jan. 2014	Dec. 2014	Not started yet	

4.2 South-South East region (SSE)

4.2.1 Interoperability

Description of the projects and activities under this work area

Pilot project I – EASEE-gas rules adoption

In order to improve system interoperability, all the regional system within the GRI SSE should adopt, based on EASEE-gas common business practices (CBPs), the same units for measuring gas as well as a harmonized definition of the gas day, also taking into account possibilities for early NC/FG implementation with regard to interoperability and other areas.

Pilot project II – Sub-regional integration / Harmonization of procedures

The aim of this project is to harmonize interoperability procedures on the route from Velké Kapušany to Germany and back to Slovakia or Austria (Baumgarten).

Work developed and main achievements in this quarter

Monitoring of EASEE-gas CBPs implementation will be done through the EASEE-gas implementation review 2012. The finalisation of the FG on Interoperability in July 2012, as well as the subsequent development of a Network Code by ENTSO-G, are likely to give a new impetus to the relevant pilot projects.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
EASEE gas rules adoption	None	2012/2013	Ongoing	Early implementation of Interoperability can reasonably start only once some work on the NC Interoperability will have been done. Other features of the EASEE-gas rules, such as a harmonised gas day, will be implemented through NC CAM.
Sub-regional integration / Harmonization of procedures	None	2012	Pending	

4.2.2 Enabling market integration

Description of the projects and activities under this work area

Pilot Project V: Cross-border Regional Balancing Platform

In the framework of this pilot project, CEGH offered to work on establishing a cross-border regional Balancing Platform to create more liquidity for all market participants via offering balancing possibilities for adjacent TSOs.

Pilot project VI – Structure of future regional balancing and trading zones in the SSE region & implementation of the Gas Target Model

This analysis is undertaken in a first step through two studies:

- A “macroeconomic” study on possibilities for cross-border market integration in Europe focussing on an analysis of macroeconomic/welfare benefits of market integration and evaluating more closely 2 case regions, both from GRI SSE (AT-SK-CZ and AT-IT).
- A case study on the identification of possible implementation steps of the measures proposed in the Gas Target Model in the GRI SSE region, from an institutional and practical perspective.

Work developed and main achievements in this quarter

With regard to the pilot project on the establishment of a cross-regional balancing platform, CEGH consulted its clients and determined a within-day market as the preferred option for cross-border balancing. Auctions on the corresponding platform will take place hourly, with a single clearing price.

The study on macroeconomic benefits of further market integration launched in the first quarter of 2012 has been published in October 2012. The study concludes that there are almost no limitations to cross-border market integration from a capacity point of view. Three European regions may be distinguished: the North-West region, which has significant excess capacities compared to today’s utilisation, the South-West region, where cross-border capacities between France and Spain were highly used in 2011 and the Central-East region around Austria, which is relatively high loaded, but still significant capacities are available at many interconnection points. In a second step the study analysed the potential macroeconomic effects of cross-border market integration for the CEE region (Austria, Czech Republic, Slovak Republic) and for the region Austria-Italy. The main findings of the analysis are that market integration in the CEE region would generate additional economic benefit. The expected social welfare gain in this region would justify market integration. The CEE region could be expanded by the Austria-Italy region after promising experience has been gained.

The second study on concrete implementation steps for the Gas Target Model in the GRI SSE had its kick-off in June 2012. Participation is still open to all interested NRAs/stakeholders. For the time being, eustream, NET4GAS, CEGH and E-Control sponsor the study. At the last Madrid Forum of October 2012, high-level principles for the establishment of a CEE Trading Region have been presented. It is expected that the results of the study will be available soon.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Implementation of a cross-border regional Balancing Platform	-	2012	Ongoing	None
Analysis of macroeconomic benefits linked to implementing different models for balancing and trading zones (market areas/trading regions/market coupling)	-	2012	Completed	None
Case study on institutional and practical steps to implement the provisions of the GTM in the region	-	2012	Ongoing	None
Definition of the model for future regional balancing and trading zones	-	2012/2013	Expected	
Planning and launch of implementation	-	2014+	Expected	

4.2.3 Infrastructure

Description of the projects and activities under this work area

The developments regarding future market architecture (Gas Target Model implementation) in the countries of the SSE region will need to be taken into account when planning investments.

The GRI SSE will aim at being actively involved in the run-up to the decision on the Projects of Common Interest (PCI). Promoting the active involvement of stakeholders, project promoters, NRAs and Member States in the work with the European Commission is a goal for 2012. The consultation of GRIPs is another deliverable of the Work Programme.

Work developed and main achievements in this quarter

No new activities have been reported during this quarter.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Check investment plans against the background of future market architecture scenarios	-	Ongoing	Ongoing	
Consultation of the	-	2012	Completed	The CEE and the SGC

Regional 10-YNDP				GRIPs were consulted by the TSOs and discussed with market participants. Relevant TSOs were encouraged to have a through consultation do so for the next set of GRIPs.
Ensure GRI SSE involvement on all levels in the process of identifying PCI in the framework of the EIP	-	2012	(*)	(*)

(*) The identification of PCIs is being carried out through specific regional working groups fit for that purpose. As priority corridors identified by the European Commission do not correspond exactly to the existing composition of ACER regional initiatives, participation in the EIP working groups is restricted to nominated members and is not open to all GRI SSE stakeholders automatically.

4.2.4 Security of Supply

Description of the projects and activities under this work area

The exchange of views and best practices linked to the implementation of SoS regulation is included in the SSE Work Plan as of early 2012.

Work developed and main achievements in this quarter

Competent authorities will be invited to provide updates on the state of play of the implementation of Regulation 994/2010 (SoS Regulation) by the end of the year 2012.

Projects and activities developed under this area of work. State of play and deadlines

The state of play in this area of work is determined by the pace with which the SoS Regulation is implemented and preventive action plans are developed and is therefore outside the direct influence of the GRI SSE. Preventive action plans are to be consulted starting from Q3 2012. More updates are thus to be expected later this year.

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Exchange best practice and consult SoS preventive action plans within the GRI SSE	-	Ongoing	Ongoing	In most Member States of the region the relevant national ministries (not the NRAs).act as Competent Authorities

4.3 North-West region (NW)

4.3.1 Transparency

Description of the projects and activities under this work area

Transparency is a critical element in ensuring an effective functioning internal European market to overcome the current fragmentation of European gas markets. Market participants need to know where and how to access capacity, the costs involved, what is available at a particular time, what rules apply and information on their own situation for balancing purposes. Asymmetric information leads to distortions in the market and can be a barrier to entry. Given the importance of Transparency and upon request of stakeholders at the Stakeholder Group meeting in 2010, a project was launched with the aim to monitor the compliance of TSOs against the 3rd Package transparency requirements and to consult the market whether data has been published in appropriate manner, with a view to formulating conclusions.

In 2011, all TSOs in the region have been asked to complete a questionnaire (drafted within the RCC) to indicate their compliance to the relevant Transparency requirements. As a next step – after each NRA has checked the compliance assessment of their national TSO – a public consultation was announced during the 9th Stakeholder Group meeting in Rotterdam (November 2011). The consultation period ended on 20 January 2012 and about 10 responses were received (of several TSOs, shippers and several European representative organizations). In the first half of 2012, NRAs and ACER staff made a preliminary analysis of the responses received to the public consultation.

Given the request of the Madrid Forum for ACER to monitor the implementation of the transparency guidelines and to ensure consistency and efficiency of this monitoring work, all regional input was sent to ACER. The Agency finalised its pan-European assessment over the third quarter of 2012, for presentation in the XXII Madrid Forum, and took input from GRI NW stakeholders on board. ACER staff has involved and kept NRAs as well as other parties informed on the outcome of this work. The responsibility for supervising the compliance of the transparency requirements at national level and its enforcement lies within the NRAs.

Work developed and main achievements in this quarter

Not applicable, as the project was ended at regional level as far as GRI NW is concerned.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Transparency project	2011	Results presented in 22 th MF in October 2012	Finalised	

4.3.2 Gas Regional Investment plan

Description of the projects and activities under this work area

The first Gas Regional Investment Plan (GRIP) for the NW region was published on 21 November 2011, and during the Stakeholder Group meeting of GRI NW held at the end of November 2011 a public consultation was announced. Given the importance of the GRIP for stakeholders, it was decided that the evaluation and improvement of the Gas Regional Investment Plan (GRIP) will be one of the projects within GRI NW in 2012. The aim of the

project is to evaluate the GRIP for GRI NW and to ensure that the next GRIP is most ‘fit-for-purpose’. In this process, the RCC would draft recommendations and discuss these possible improvements in an open dialogue between the regulators and TSOs.

The consultation period ended in January 2012 and one response was received to the consultation. The TSOs within GRI NW gave due consideration to this input and issued a response letter, reasserting their views on the role of the regional plan with regards to the identification of investment needs. During the second quarter of 2012, the RCC drafted its recommendations on the GRIP and these recommendations were sent to the TSOs within the region by mid-May 2012. As a next step, a meeting took place at the end of June between the RCC and TSOs in the region to discuss the contents of the RCC letter and engage in an open dialogue on how the GRIP could be further improved.

Work developed and main achievements in this quarter

TSOs have welcomed RCC’s feedback and have indicated their intention to emphasize the regional aspects of the plan and to involve the market during the drafting process. TSOs underlined that the approach at the regional level needs to be consistent with the changes introduced by ENTSOG for the next TYNDP to be published in 2013. For this reason, TSOs of the region are following the finalization of the next TYNDP during the quarter and will analyse the consequences for the GRIPs (expected to take place from October 2012 onwards). In addition, the elaboration of the next GRIP will rely on the data collection organized by ENTSOG for the EU-wide plan. TSOs and regulators will continue their cooperation during the second semester of 2012 to ensure that RCC’s recommendations feed into the preparation of the next GRIP. TSOs will give a presentation on their preliminary views for the next GRIP during the Stakeholders Group meeting of 23 November.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Gas Regional Investment Plan	Ongoing	End of 2012	Ongoing	No particular difficulties or risks

4.3.3 Pre-comitology meetings

Description of the projects and activities under this work area

The Framework Guidelines (FGs) and Network Codes (NCs) will have an impact on each national energy market. According to Regulation (EC) No. 715/2009, Member States are responsible for approving (or rejecting) the NCs through the comitology process. However, NRAs will be responsible for drafting the FGs and TSOs for drafting the NCs. Given these different roles, NRAs, TSOs and Member States within GRI NW timely discuss – in an open dialogue – the content of each FG and NC in so called “pre-comitology meetings”. Through the pre-comitology meetings, NRAs can explain the background to the principles that are in the FGs, while TSOs can explain how the principles in a FG are translated in a certain way in a NC. As such, Member States can not only gain a good understanding of the direction that each FG and NC is going, but it also enables them to timely communicate their opinion on the specific FGs and NCs. In turn, this will enable NRAs and TSOs to timely take these considerations into account and also provides the opportunity to jointly identify regional

aspects that should be addressed. Through this process, comitology procedures can take place efficiently.

Member States, NRAs and TSOs of the North West region have discussed (at the end of November 2011) in an open dialogue the Framework Guidelines and Network Codes that are currently being drafted (through a pre-Comitology meeting). In 2011, two pre-comitology meetings took place in 2011 (the first had taken place in May 2011) and both meetings have led to a better understanding in the positions of NRAs, TSOs and Member States towards the FGs and NCs that are now being drafted.

A pre-comitology meeting took place at the end of April 2012. During this meeting, it was agreed upon that one further area for improvement of the meetings is related to the implementation of the network codes: once a network code has passed the comitology process, progress of implementation should also be discussed and – if applicable – a regional solution could be found. In future pre-comitology meetings, focus will also be – once the first network code starts to be implemented – on implementation.

Work developed and main achievements in this quarter

No significant achievements were observed over this quarter. The next pre-comitology meeting will take place on 22 November 2012 in Copenhagen, Denmark.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Pre-comitology meetings	Ongoing	None (ongoing process)	Ongoing	No particular difficulties or risks

4.3.4 Exploring feasibility of implicit allocation

Description of the projects and activities under this work area

The Gas Target Model that was published by CEER at the end of 2011 calls upon NRAs to consider whether measures, such as implicit auctions, would improve the efficiency in the use of interconnection capacity. In this matter, NMA – in its role as national regulator – has commissioned a study to explore – as a first step – the feasibility of implicit allocation in the gas market (this report is now finalized). During the Gas Target Model discussions, it became evident that no clear “yes or no” exists about whether implicit allocation should be applicable in the gas market. Next to that, GRI NW – of all three gas regions – is probably the most advanced region for implicit allocation. By mid-March 2012 it was therefore agreed upon within the RCC that an RCC position paper will be drafted on the feasibility of implicit allocation in the gas market. Market participants will be involved in the drafting of the regional RCC position paper (e.g. via workshops). During the second quarter of 2012, the project plan for this work stream was elaborated and agreed upon.

Work developed and main achievements in this quarter

In the third quarter of 2012, the RCC has discussed the scope and structure of the position paper. In the position paper itself (which was drafted during this quarter), NRAs within GRI

NW explain whether they see added value (and under what conditions) to introduce implicit allocation in the gas market and – should this be the case – when this coupling mechanism should be introduced. Given the fact that the design of the mechanism is only relevant if there is added value (and practical experiences seem to be needed to determine the design), this position paper will not answer the question of what the implicit allocation mechanism should look like in detail. However, the position paper will present the relevant design issues. The position paper will be published in the fourth quarter (at the beginning of October 2012) and will be up for public consultation until 5 November 2012.

Projects and activities developed under this area of work. State of play and deadlines

Project / Activity	Starting date foreseen in the WP	Deadline foreseen in the WP	Status	Main difficulties or risks
Exploring the feasibility of implicit allocation in the gas market	June 2012	End of 2012	Ongoing	No particular difficulties or risks foreseen at this point in time

5 Conclusion and way forward

This edition of the GRI Quarterly report has been released by ACER in close collaboration with the Lead Regulators of the three gas regions. The Agency thanks them for their cooperation and appreciates their contribution to this report.

Progress is being perceived in different areas of work along the three regions, and important milestones of several pilot projects are being met during the year 2012. This quarter has seen though a step-up in this progress, with the kick-off of the work in the CAM Implementation Roadmap. This Roadmap is aimed at leading to a truly pan-European system of coordinated allocation of bundled products throughout cross-border interconnection points, following the principles set out in the CAM Network Code. The last quarter of the year will be of paramount importance to define the detailed milestones and timetable of this Roadmap, and during the following quarters the focus will be on the implementation of the CAM pilot projects, ensuring that they are in line with the CAM Network Code during the *Comitology* process which is expected to be started at the end of 2012 or beginning of 2013.

The process of development of the CAM Implementation Roadmap has been so far a good example of cooperation between ACER and ENTSOG, together with NRAs and TSOs who are called to play the real starring role in the process. This work received very relevant support at the last Madrid Forum by all participants and stakeholder associations. If it proves to be successful, this process may naturally lead to starting working in the early implementation of other Network Codes which are being developed in other areas that are equally essential for the completion of the IEM.



Publishing date: 09/11/2012

Document title: Gas Regional Initiative Quarterly Report - Q3 2012

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