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**Gas Regional Initiative
GRI Coordination Group**

GRI Quarterly Report

Q4 2012

October – December 2012

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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 set 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 20th 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 **21st 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 Network Code.

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, relevant TSOs and NRAs and the European Commission (EC).

A first draft of the **CAM Implementation Roadmap** was reached during Q3 2012 and was presented at the **22nd 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.

During the last quarter of 2012, new steps have been taken with the organisation of a new meeting with ACER, ENTSOG, TSOs, NRAs and the EC in November, and the continuing work on the CAM Roadmap which is expected to be finalised in early 2013.

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 cross-regional work is 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 21st 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 have since been working on the CAM Roadmap, together with TSOs and NRAs, who are the key actors in order to design and develop the projects, and make sure that the regulatory framework allow for their implementation, respectively. The draft outline of the CAM Roadmap was presented at the 22nd Madrid Forum in October 2012, obtaining a very positive reaction from stakeholders and the endorsement from the whole Madrid Forum.

During the last quarter of 2012, ENTSOG and ACER have jointly drafted the Roadmap document with the valuable contribution from TSOs and NRAs. A first version was presented at a meeting held in Brussels on 15 November, where some key aspects on governance and implementation were openly discussed. The document is now being finalised with the aim of submitting it for endorsement and approval by ENTSOG Board and ACER Board of Regulators in early 2013.

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

List of projects currently included in the CAM Roadmap

At the end of Q4 2012, the following projects on CAM were planned to be part of the CAM Roadmap:

| # | Project | Countries involved | Region(s) involved | Starting | Deadline |
|----|--|----------------------------|--------------------|---------------------------|---------------|
| 1 | Joint Capacity Platform Initiative (PRISMA ³) | NL, DE, DK, BE, FR, AT, IT | NW-SSE | 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 | |
| 1e | Bundled capacity allocation Austria-Italy | AT, IT | SSE | 2011 | 2012-2013 |
| 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 | ES, PT | South | Operational since Q3 2012 | |
| 4 | CAM harmonisation proposal in the whole South region | ES, FR, PT | South | Jan. 2012 | 2014 |
| 5 | Bundled Product - pilot at Lasów IP | DE, PL | NW-SSE | Oct. 2011 | Jun. 2013 |
| 6 | GATRAC bundled products | DE, CZ, SK | SSE | 2011 | 2012+ |
| 7 | Hungary/Romania Capacity bundling project | HU, RO | SSE | Q4 2012 | 2013 |

Progress review during this quarter

| Project 1 | Joint Capacity Platform Initiative (PRISMA) (NW-SSE) |
|----------------------------|---|
| Description of the project | In April 2012 sixteen European TSOs from 5 countries took 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 |

³ The new name and brand for this project is PRISMA as of the 1st January 2013.

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| | and serve different TSO backend systems. It will also offer secondary market services. The aim is to have 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 of 2012, the process and functional specifications were defined. In the last quarter of 2012, TSOs have worked on the ICT specifications of the platform and also decided the new brand for the joint company: PRISMA (standing for PRImary and Secondary Market). Also 4 more TSOs have joined the platform at the end of 2012: Snam Rete Gas from Italy, and Gas Connect Austria, TAG and BOG from Austria. |
| 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 | Since November 2012, regular meetings between the NRAs and TSOs that are involved in the platform are taking place, so 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 at present by 19 TSOs that are active in seven countries of the NW and SSE regions (bottom-up approach). Other TSOs are also considering to participate. |

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| 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 10 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 |

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| | 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 have been no further regulatory obstacles so far. |
| 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 | |

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| 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 PRISMA platform once operational. |

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| 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 PRISMA platform once operational. |

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| Project 1e | 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. |

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| 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 so as to allow shippers to nominate an extra amount of capacity according to the results of TAG's daily auction. The auction 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 run 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 Guidelines on a day-ahead capacity allocation mechanism at the Austrian/Italian border</i>" were published simultaneously on the websites of both NRAs on 28 September 2012. The consultation ended on 19 October 2012 and ten responses⁴ were received. - The state of play of the project was presented at the SSE SG meeting of 5 December in Milan. Daily auctions of bundled capacity product should start from 1 April 2013, following the CAM NC specifications. - Finally, in Q4 2012 TAG and Snam Rete Gas joined the PRISMA platform and they will perform the joint allocation of bundled day-ahead capacity products through it. |
| 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 is being 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. |

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| Project 2 | OSP France-Spain: annual allocation of bundled 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. Capacity was sold through OSP STC 2012 for the period from |

⁴ The draft guidelines for consultation and the non-confidential responses are available at this link: http://www.e-control.at/en/market_players/natural-gas/natural-gas-market/consultation-interconnection-point-arnoldstein

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| | <p>April 2013 to March 2014, with the pro-rata allocation as programmed. After this procedure, CAM products will be harmonized following CAM NC requirements.</p> <p>From 12 November 2012 to 14 December 2012, the OSP 2012 was organised for the allocation of capacities between 1 April 2013 and 31 March 2014. As a result of it, all capacity was allocated in the direction France-Spain (total requests were 1.7 times higher than available capacity) and no capacity was however allocated in the other direction, Spain-France.</p> |
| 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 potential divergences with the related FG-NC | The alignment of this annual short-term OSP allocation procedure (pro-rata) with ACER's FG and ENTSOG's proposal for a Network Code on CAM (auctions) will be carried out through project 4. |
| Comments | |

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| 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 first application of this joint auction process took place between July and September 2012. The capacity was offered for the gas year running from 1st Oct. 2012 to 30th Sep.2013. The national regulations containing the basis of the procedure in Spain and Portugal and the Information Memorandum outlining the procedure had been previously approved in June.</p> <p>Some shippers were prequalified but no one qualified to participate neither in the firm yearly products auction nor in monthly products auction. Therefore, no firm capacity was allocated and no interruptible products auctions took place.</p> <p>During the last months of 2012, the results of this procedure were presented in IG and SG meetings and lessons learned were drawn. Two shippers have sent their (confidential) comments on the development and results of the procedure, and NRAs and TSOs have already started to work on the definition of the features of the next yearly auction procedure of 2013.</p> |
| Obstacles or delays in the implementation | The first application of this procedure resulted in no capacity allocated due to the lack of interest or market participants given the current market context and perspectives for demand and for use of the interconnection Spain-Portugal. The auction procedure is planned to be applied again in 2013. |
| 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. |

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| Actions to overcome obstacles or delays, and potential divergences with the related FG-NC | Even if no capacity was allocated, NRAs and operators deemed the exercise as useful to identify the regulations that needed to be adapted, the documentation and processes that had to be developed and to raise awareness among shippers of the implications of the CAM NC. |
| Comments | 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 |

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| Project 4 | CAM harmonisation proposal in the whole South region (South) |
| 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 both in the Portuguese-Spanish and in the French-Spanish interconnection. NRAs already started discussing aspects like the calendar products, regulatory adaptations and IT systems at the IG meeting of 19 November 2012. |
| 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 | |

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| Project 5 | 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 steps taken so far for the implementation of the project have been as follows: |

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| | <ul style="list-style-type: none"> - A consultation process (with stakeholders) took place from 5 to 23 November 2012. - A separate workshop was held in Warsaw on 15 November 2012. - TSOs analysed and discussed the outcome from the consultation process. - TSOs published the summary of stakeholder responses. - In parallel to this process, the Cooperation Agreement was concluded. - TRAC-X was renamed into PRISMA starting from 1 January 2013. - The Service Agreement with TRAC-X is close to be finalised. - The suggested Shipper Manual about how to register with the TSOs/platform and how to auction the capacity will be developed as soon as feasible (1Q/2013). - The current state of development (documents) is supported by the NRAs (further check of the G-S T&C is needed by ERO). |
| 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 the NC CAM enters into force. |

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| Project 6 | 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 | <p>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.</p> <p>The state of play of the project was presented at the 13th GRI SSE SG meeting of 5 December 2012. Eustream and NET4GAS are now working together with NCG and an IT provider to implement day-ahead products, which will be similar to the ones already offered by Ontras and GRTgaz.</p> |
| Obstacles or delays in the implementation | <p>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.</p> <p>Some technical barriers are delaying the entry of new</p> |

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| | 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 7 | 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 is developing a detailed plan (Roadmap) on CMP harmonization.

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. A roadmap on CMP harmonisation designed by the TSOs was presented at the 20th IG meeting on 19 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 |
|---|----------------------------------|-----------------------------|---------|----------------------------|
| CMP harmonisation proposal between Spain and France | Jan. 2011 | Dec. 2012 | Ongoing | New deadline: Oct 13 |
| CMP harmonisation proposal between Spain and Portugal | Jan. 2012 | Jan. 2013 | Ongoing | New deadline: Oct 13 |

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. During the fourth quarter of 2012, regulators prepared a common position on the SGRI GRIP and sent it to ACER in November 2012, in order to feed into ACER's Opinion on the GRIPs. The elaboration of the next South GRIP is expected to start in 2013 with a view to presenting the GRIP in early 2014.

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.

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 | Completed | |
| 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 finalised 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 analysed the comments received and elaborated a Final Document. A summary of the comments of the stakeholders was published, and the main conclusions were presented by Regulators at an SG meeting at the end of September. 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 harmonisation, 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.

Each country will be working now in developing a national entry-exit system following European guidelines. A common task for launching tariff harmonization proposals shall be initiated after these national regulatory processes, during 2013. In November 2012, the Spanish regulator submitted to public consultation the methodology proposal on tariffs for access to the gas infrastructures (from 26 November to 31 January 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 |
|--------------------|----------------------------------|-----------------------------|--------|----------------------------|
|--------------------|----------------------------------|-----------------------------|--------|----------------------------|

| | | | | |
|--|-----------|-----------|-----------------|--|
| 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 |

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 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 and its main findings and conclusions have been taken into account in the final ACER analysis on transparency in EU countries.

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 with the initial aim to develop MIBGAS, the Iberian gas market.

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, when the project starts.

The study on macroeconomic benefits of further market integration launched in the first quarter of 2012 was 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. 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 were presented, and at the end of December the first part of the study containing these main design principles of a potential CEE Trading Region (CEETR) has been released and published in ACER website⁵.

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 (first part completed) | None |
| Definition of the model for future regional balancing and trading zones | - | 2012/2013 | Expected | |
| Planning and launch of implementation | - | 2014+ | Expected | |

In addition to these developments under the area of enabling market integration, however outside of the SSE Work Plan scope, an analysis of gas market liquidity in the four markets of the Visegrad Group (V4, including Poland, Czech Republic, Slovakia and Hungary) was carried out by the V4 NRAs in the course of the final quarter of 2012. The case study is a first stage and a starting point of an initiative under the helm of the Polish Presidency of the Visegrad Group – *Towards the common regional V4 gas market*. The Visegrad countries devoted their best endeavours to work towards envisaging a step-wise approach in view of eliminating regulatory and trade barriers between the V4 countries in a *Memorandum of Understanding on gas market integration in the V4 region*, signed on 31 October 2012. The joint regulatory analysis on gas market liquidity in the V4 identifies major obstacles for the gas market integration in the region and explores potential fields for action. It will be a basis for providing an analysis and vision for the Gas Target Model in the V4 countries, which shall be delivered by March 2013. Subsequently, by mid-2013 a long term strategy for the V4 region shall be agreed in a *Road Map towards the common regional V4 gas market*.

⁵ This document is available at: http://www.acer.europa.eu/Gas/Regional_%20Initiatives/South_South-East_GRI/Pages/GRI-SSE-studies.aspx

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 has been a goal for 2012. The consultation of GRIPs is another deliverable of the Work Programme.

Work developed and main achievements in this quarter

During the last quarter of 2012, Lead NRAs from the SSE region have submitted input to ACER Opinion on the GRIPs, regarding the two GRIPs involving countries of this region. The next GRIPs involving SSE countries are expected to be presented in 2014.

Also in relation to infrastructure development, the regulators of the region are continuing to take part in the meetings of the regional group for the identification of PCIs, in the frame of the future Energy Infrastructure Package regulation. The European Commission made a presentation of the state of play and the latest developments regarding the EIP at the SSE SG meeting of 5 December.

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 Regional 10-YNDP | - | 2012 | Completed | The CEE and the SGC GRIPs were consulted by the TSOs and discussed with market participants. Relevant TSOs were encouraged to have a thorough 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 have started to be consulted from Q3 2012.

| 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 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. 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 welcomed RCC's feedback and indicated their intention to emphasise 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 finalisation of the next TYNDP during the quarter and will analyse the consequences for the next GRIP.

The foreseen calendar for the elaboration of the next GRIP was presented at the SG meeting held in Copenhagen on 23 November. It will rely on the data collection organised by ENTSOG for the EU-wide plan. TSOs and regulators will continue their cooperation to ensure that RCC's recommendations feed into the next GRIP.

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 |

4.3.2 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. 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.

In 2012, Member States, NRAs and TSOs of the North West region have discussed in an open dialogue the Framework Guidelines and Network Codes that are currently being drafted. During the first meeting in 2012 (on April), 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 on implementation, once the first network code starts to be implemented.

Work developed and main achievements in this quarter

In November 2012, the second pre-comitology meeting took place in Copenhagen. During the meeting, the Network Codes on balancing and interoperability were discussed, as well as the Framework Guideline for tariff structures. Both the first meeting of April and this second one in November 2012 have led to a better understanding of the positions of NRAs, TSOs and Member States towards the FGs and NCs that are now being drafted.

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 |

4.3.3 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 finalised. 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 second quarter of 2012, the NW RCC discussed the scope and structure of the position paper. In the position paper itself 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 such 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 draft position paper was drafted in the third quarter and submitted to public consultation in October 2012, while a workshop was organised on 19 October. The responses to the public consultation are published on the ACER website and, during the Stakeholder Group meeting of the region in November 2012, the RCC presented the main findings of the consultation and the initial conclusions. The final version of the position paper is expected to be published during the first quarter of 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 |
|--|----------------------------------|-----------------------------|---------|--|
| 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 |

4.3.4 Assessment of market integration in the region

Description of the projects and activities under this work area

The Gas Target Model calls upon NRAs to assess market liquidity and the degree of market integration in close cooperation and – if necessary – explore (regional) measures for improvement. During the Stakeholder Group meeting of the NW region in November 2012, it was decided that the region will “answer this call” and perform the assessment as stated in the Gas Target Model. To ensure that the results of such an assessment are useful, it was agreed upon that the project should not have an academic approach, but a rather **practical** focus. The envisioned aim of the project is to: a) determine how GRI NW defines a well-functioning wholesale market in the region; b) determine whether GRI NW fits definition; and c) whether regional action is needed to fulfil this definition. In this process, the following topics are to be addressed:

- How does GRI NW define functioning market
- To what extent does the region fulfil this picture
- What necessary regional actions are needed
- What best practices could the countries apply
- Appendix: factsheet per country

Work developed and main achievements in this quarter

The project was announced in Q4 2012 and no significant progress has therefore been made yet. The project will be further defined in the first quarter of 2013 and its kick-off will take place shortly after that date.

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 |
|---|----------------------------------|-----------------------------|---------|--|
| Assessment of market liquidity and degree of market integration | Q1 2013 | End of 2013 | Ongoing | No particular difficulties or risks foreseen at this point in time |

4.3.5 Regional monitoring of implementation of network codes

Description of the projects and activities under this work area

The network codes that are currently being drafted – given the fact that they harmonise market rules that are binding to all EU-countries – are an important step to achieve the internal energy market. At the same time, the network codes can only have effect if the rules are implemented in the same way at both sides of each border. Stakeholders thus have a

shared ownership towards implementation. In the opinion of the NW RCC, the regional initiatives are a useful vehicle to monitor the implementation of the network codes. Monitoring the implementation of network codes at regional level (as a complement to the monitoring at European level by ACER) can ensure that delays and obstacles are early identified and discussed. Through such a process, ACER will receive a limited number of regional progress reports instead of a progress report of each country. This would not only ensure that ACER would get a quick understanding to what extent obstacles (and their impact) are being faced, but also whether obstacles are regional (and thus whether a regional solution is needed) or European. As an example: the existence of both low and high calorific gas is a specific characteristic for GRI NW and could thus require a regional solution.

Work developed and main achievements in this quarter

Currently, ACER – in cooperation with ENTSOG – is exploring how the implementation of the network codes can best be monitored. The precise form how GRI NW will monitor the implementation of the network codes on a regional level will thus depend on this outcome.

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 |
|--|----------------------------------|-----------------------------|---------|--|
| Regional monitoring of implementation of network codes | Q3 2013 | N/A | 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 made in different areas of work along the three regions, and important milestones of several pilot projects have been met during the year 2012. This last quarter of the year has been an important one especially in order to advance in the drafting of the CAM Implementation Roadmap, which is expected to be finalised within the first quarter of 2013. The 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, and it will define the detailed milestones and timetable for the different pilot projects, at least until the end of 2013 and during 2014.

Once the Roadmap is finalised and approved by ACER Board of Regulators and ENTSOG Board, the focus will be on the implementation of the pilot projects, ensuring that they are in line with the CAM Network Code during the *Comitology* process, which has started already and is expected to be completed during the third quarter of 2013. Governance arrangements are being designed in order to coordinate the work of the different parties involved in these projects and also to allow to follow up progress, to early identify any arising issues in the implementation of the CAM NC and look for solutions which fit, to the extent possible, the projects in place.

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.



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