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**Gas Regional Initiative
GRI Coordination Group**

GRI Quarterly Report

Q1 2012

January – March 2012

A12-GRI-01

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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, which now falls 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 Framework Guideline and Network Code under development. An **initial Implementation Roadmap** based on these **pilot projects** will be **developed by TSOs, lead regulators and relevant NRAs**. Finally, the Forum asked ACER and ENTSOG to monitor the progress of this initiative and to report to the next Madrid Forum on the progress on establishing the pilot projects.

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 Regulators, under the guidance of the European Commission and ACER.

¹ See conclusions of the 21st Madrid Forum:
http://ec.europa.eu/energy/gas_electricity/doc/forum_madrid_gas/meeting_021_conclusions.pdf

This report will serve as well to report and keep track especially in the areas where regional and eventually cross-regional work is to be developed, starting with Capacity Allocation Mechanisms (CAM), for which, as it has been explained, it has been decided to develop an Implementation Roadmap in order to plan the development of pilot projects and the steps towards the establishment of platforms at regional and cross-regional level.

3 Areas for regional and cross-regional integration of GRI work

3.1 Capacity allocation (CAM Pilots & Platforms)

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 in 3rd August 2011, and based on it ENTSOG has presented its draft Network Code on the 6th March 2012.

At the end of Q1 2012, the following projects on CAM were ongoing in the three regions:

List of projects currently ongoing or planned under this area

#	Project	Countries involved	Region(s) involved	Starting	Deadline
1	OSP France-Spain: annual allocation of short-term capacities	ES, FR	South	Nov. (yearly)	Dec. (yearly)
2	CAM harmonisation proposal between Spain and Portugal	ES, PT	South	Jan. 2011	Jun. 2012
3	CAM harmonisation proposal in the whole region	ES, FR, PT	South	Jan. 2012	Dec. 2013
4	Bundled capacity allocation	AT, IT	SSE	2011	2012-2013
5	GATRAC bundled products	DE, CZ, SK	SSE	2011	2012+
6	Pilot project GTS and Gasunie Deutschland on CAM Network code	NL, DE	NW	Q1 2012	Q2 2013
7	Regional booking platform for CAM (NW)	NL, DE, DK, BE, FR	NW	Q2 2012	Q2 2013
8	Set up a common TSOs' Allocation Platform (South)	South and North-West Europe	South/NW	Jul. 2012	Dec. 2014

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

Progress review during this quarter

Project 1	OSP France-Spain: annual allocation of short-term capacities (South)
Description of the project	Annual short-term Open Subscription Periods with prorata allocation for 20% of the existing capacities between Spain and France
Significant achievements and state of play	Planned starting date: November every year
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 possibility of aligning 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 done in project 3.
Comments	

Project 2	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	<ul style="list-style-type: none"> – Auction's principles (capacity and product definition, the auction development, the products' price, the gas year and gas day and units) agreed by Regulators and TSOs. – A first draft of the auction mechanism presented to Stakeholders on 7 February 2012. – TSOs sent to Regulators their proposal of Information Memorandum in early May. Regulators are currently preparing their comments on this document.
Obstacles or delays in the implementation	The time required for the Spanish Regulator to produce, approve and publish a Resolution launching the auction in Spain, according to its new functions since 31 st May 2012, might cause a little delay.
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 definition of the gas day.
Actions to overcome obstacles or delays, and potential divergences with the related FG-NC	The Spanish regulator is working to avoid any delay. With this aim, a draft of the required Resolution to launch the project in Spain has been already produced and it is under approval procedure including public consultation. In Portugal, no relevant obstacles are expected either.
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.
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Project 3	CAM harmonisation proposal in the whole 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.
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 4	Bundled capacity allocation Austria-Italy (SSE)
Description of the project	This pilot project covers the work at the Tarvisio/Arnoldstein IP towards implementing coordinated allocation of a bundled product to smoothen trading at the IP.
Significant achievements and state of play	<ul style="list-style-type: none"> - Day-ahead capacity auction pilot project introduced on TAG system following consultation to shippers in March. - AEEG issued on 27 March 2012 (resolution No. 108/2012/R/GAS) interim measures (1 April - 31 May 2012) to allow daily capacity transportation at the entry point Tarvisio. In this way, the exploitation of unused (i.e. not nominated) capacity between gas trading points is now possible maximising the benefits of TAG allocation. - E-Control and AEEG invited TAG and Snam to prepare a joint proposal on coordinated day-ahead capacity auctions. The proposal shall be in line with the provisions of the upcoming CAM network code. - E-Control and AEEG will provide guidance on the above issues and assess the final TSOs proposal in a coordinated manner. - A coordination meeting among NRAs and TSOs takes place on 16 April 2012 in Vienna to discuss and agree next steps to be followed.
Obstacles or delays in the implementation	Different rules (renomination) still apply at IT/AT border and the auction is 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 5	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). Secondly, the requirements for offering single capacity contracts for day-ahead (firm and interruptible) at IPs such as Tarvisio/Arnoldstein will be analysed.
Significant achievements and state of play	Eustream confirmed its participation in the platform; the information has been published through a press release. Eustream and Net4Gas work together with ECG and an IT provider to implement day-ahead products in analogy to the products already offered with Ontras and GRTGaz. The start was scheduled for April.
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 CAM and NC CAM provisions, since it follows a first-come-first-served procedure.
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.

Project 6	Pilot project GTS- Gasunie Deutschland on NC CAM (NW)
Description of the project	As of 22 May Gas Transport Services B.V. (GTS) and Gasunie Deutschland Transport Services GmbH (GUD) will auction bundled capacity at Oude Statenzijl via TRAC-X, the German primary capacity platform. The firm day-ahead service is the first bundled cross-border capacity auction that is offered between two EU Member States. The new service strengthens the link between the TTF and GASPOOL hubs

	and improves the liquidity of the gas market in North-West Europe. For GTS the bundled capacity auction serves as a pilot for the full implementation of the European Network Codes, which are expected to enter into force later this year, at all GTS cross border points. For this service GTS and GUD will offer day ahead firm capacity, in both directions, at their H-Gas flange Oude Statenzijl).	
Significant achievements and state of play	The pilot project was announced in mid-March 2012, the involved TSOs have just started to establish the pilot project.	
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	Currently not known (the project has just started).	
Comments	This project is performed by 2 TSOs that are active in two countries of GRI NW (bottom-up approach).	

Project 7	Regional booking platform for CAM (NW)	
Description of the project	Sixteen major 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 has been signed in March 2012, which defines the shape of this new capacity platform to meet future European market rules. The TSOs are now working to establish the platform.	
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	Currently not known (the project has just started)	

Comments	This project is performed by 16 TSOs that are active in five countries of GRI NW (bottom-up approach).
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Project 8	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	Planned starting date: July 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	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 will be done as a first step in coordination with other initiatives. Consequently, the South region is closely monitoring other initiatives on this issue in Europe.

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.

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.

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. Regulators committed themselves to send their comments in the next months, based on a carefully analysis of the hypothesis used by TSOs in the plan and the investments that the proposed infrastructures involved.

Additionally, the South lead regulator took part in the kick-off meeting of the Gas 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, TSOs were requested to send information to the regulators on the current status of the investments associated with the Open Seasons (OS) 2013 and 2015, in order to publish it 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)	Ongoing	
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 finalized the study on cross-border transmission tariffs in the Iberian Peninsula, and launched a public consultation on it on 18th January. 16 responses were received, which showed a great interest from the market’s side. In general, stakeholders welcome the study and consider it as a good first step into a more integrated Iberian gas market. These responses were uploaded on ACER’s web page. Regulators have started elaborating a document reviewing and analysing the comments received.

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 between Spain and Portugal and a clearer definition of the Tariff FG

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 the 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 Chapter 3, Annex I of Regulation 715/2009/EC. Preliminary assessment of TSOs, SSOs and LSOs compliance by Regulators was presented to the Implementation Group (IG) in March, once analysed and corrected the answers to the questionnaires sent by Regulators in December 2011. In general, the degree of compliance is high in the Region.

A public consultation on operators' responses to the questionnaires was then opened until 20th April. Regulators are now analysing comments received from stakeholders during this public consultation.

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	Ongoing	

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 issue will also figures on the agenda of the next SG meeting.

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	Might require changes to interconnection agreements, rules are not adopted all over Europe, FG Interoperability pending.
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 will be done in a first step through two studies:

- A “macro-level” 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, with at least one from the GRI SSE.
- 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

The development of new Austrian gas market rules was a major factor in the implementation of cross-regional balancing platform by CEGH. Work on these rules was intense during the first quarter of 2012. The possibility of creating a cross-regional balancing platform is thus on track.

As planned, the study on macroeconomic benefits of further market integration was launched in the first quarter of 2012 and will be finished in the second quarter of 2012. Preparations for the second study on concrete implementation steps for the GTM in the GRI SSE have begun and will be continued in subsequent quarters.

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	
Analysis of macroeconomic benefits linked to implementing different models for balancing and trading zones (market areas/trading regions/market coupling)	-	2012	Ongoing	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 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 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

GRI SSE lead regulators communicated to stakeholders on the EIP/PCI process. A first kick-off meeting of the working group the GRI SSE countries belong to was organised on 19 March by the European Commission. The process will be ongoing.

Concerning the GRIPs, both investment plans covering countries of the GRI SSE (Southern Corridor and Central Eastern) were published (the former was actually released in the first day of Q2 2012). These plans were not yet consulted upon within the GRI SSE, but will be presented at the Stakeholders group meeting in May 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
Check investment plans against the background of future market architecture scenarios	-	Ongoing	Ongoing	
Consultation of the Regional 10-YNDP	-	2012	Pending	
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.

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

An exchange of views on risk assessments already took place at the last Stakeholders group meeting of 2011, on 6 December 2011.

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 thus outside the direct influence of the GRI SSE.

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	

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, a project was launched with the aim to a) to monitor the compliance of TSOs against the 3rd Package transparency requirements b) consult the market whether data has been published in appropriate manner and c) publish a conclusions report (including recommendations).

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).

Work developed and main achievements in this quarter

The consultation period ended on 20 January 2012 and 11 responses were received, from several TSOs, shippers and several European representative organizations. In the first quarter of 2012, a first analysis of the responses received has taken place by NRAs and it is expected that a conclusions paper (including recommendations) will be published in the summer of 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
Transparency project	Ongoing	Summer 2012	Ongoing	Lack of resources to quickly finalize the project

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 (end of November 2012) 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 – as to ensure that the next GRIP is most 'fit-for-purpose' – is to evaluate the GRIP for GRI NW and to consult the report with the market. In this process, the RCC will also draft recommendations as to how the GRIP could become even more fit-for-purpose and these possible improvements to the GRIP will be discussed in an open dialogue between the regulators and TSOs.

Work developed and main achievements in this quarter

The consultation period ended in January and one response was received to the consultation. The TSOs within GRI NW have responded to this input and have taken - where applicable - the input into account into the GRIP for 2013. During the first quarter of 2012, the RCC has drafted its recommendations on the GRIP and these recommendations will be send to the TSOs by mid-May 2012. As a next step, a meeting (physical or telco) will be scheduled between the RCC and the TSOs in the region to discuss the contents of the RCC letter and discuss in an open dialogue how the GRIP could be further improved.

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 Monitoring the Open Season France - Luxembourg

Description of the projects and activities under this work area

The non-binding phase of the Open Season (OS) between France and Luxembourg was launched at the 8th SG meeting (26 November 2010) and ended on 31 January 2011. It was decided that this Open Season should be monitored and use GRI NW as a platform for discussion on the process during the meetings organised in the region. The lessons learned from this process in terms of coordination, transparency are to be used to provide input in the European discussions on the revision of the Guidelines for Good Practice of Open Season Procedures (GGPOS).

Work developed and main achievements in this quarter

The lessons learned are now being taken into account in the CEER position paper on incremental capacity.

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
Monitoring Open Season FR-LX	Ongoing	End of 2012	Ongoing	Delay in the process for starting the binding phase

4.3.4 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 meeting 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.

Work developed and main achievements in this quarter

A pre-comitology meeting is scheduled for April 2012 and the preparations for this meeting were ongoing at the end of March 2012. During the last meeting, several Member States indicated that more frequent meetings to early discuss in an open dialogue the Framework Guidelines and network codes are welcome and a few ideas how this could be organized were presented. In the first quarter of 2012, the RCC has therefore drafted a proposal how these meetings – in terms of timing and resources – could be scheduled and propose a new way of working on how the meetings can be most efficient.

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

4.3.5 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. Although the precise project plan is not yet finalized (see below), it is currently envisioned that market participants will be involved in the drafting of the regional RCC position paper (e.g. via workshops).

Work developed and main achievements in this quarter

During the first quarter of 2011, preparations for launching the project (i.e. discussion on approach and timing) have been set into motion and the project plan is now being drafted. It is expected that the project will be launched in the second quarter of 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	To be started	No particular difficulties or risks foreseen at this point in time

5 Conclusion and way forward

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

In future editions of the report, the focus will remain, on the one hand, on the degree of implementation of the pilot projects and other work areas from the Regional Work Plans of the three regions, and on the other hand, on the progress in CAM and other areas for regional and cross-regional integration, as long as this work will be developed.

In the remaining Quarterly Reports of 2012 there will be a specific section on the development of the Implementation Roadmap for the establishment of pilot projects and platforms for capacity allocation (CAM) by TSOs across Europe. The Quarterly Report will also aim to track progress in other areas which can be identified for developing similar Roadmaps, to design the path towards higher integration and harmonization in view of the completion of the IEM.



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