



24th SG Meeting
South Gas Regional Initiative
21st March 2019, from 10.30 h to 14:30 h
CNMC premises - Alcalá, 47, Madrid

List of participants:

AXPO IBERIA, BP GAS EUROPE, CEPSA GAS COMERCIALIZADORA, CNMC, CRE, EDP, EDP ESPAÑA, ENAGAS, ENAGAS GTS, ENDESA ENERGÍA Succursale France, ENDESA, ENEL, ERSE, GALP ENERGÍA, GALP GAS NATURAL, GRTGAZ, IBERDROLA, MIBGAS, NATURGAS ENERGÍA COMERCIALIZADORA, NATURGY, POWERNEXT, REGANOSA, REN, REPSOL, REPSOL LNG HOLDING, RWE SUPPLY&TRADING, SHELL, TERÉGA, UNION FENOSA GAS Y UPRIGAZ.

All documents presented in this meeting are available on ACER webpage:

<https://www.acer.europa.eu/Events/24th-SG-Meeting/default.aspx>

I. Opening

I.1 Welcome

The chair welcomed all participants and expressed her pleasure to host this twenty fourth Stakeholders Group meeting.

I.2 Approval of the agenda and the minutes of the last meeting

The agenda and the minutes of the last meeting were approved with no changes.

II. Accomplishment of the SGRI Work Program 2017-2018

The Chair presented a short review of the achievements under the Work Plan 2017-2018 that can be summarized as follow:

- Target 1. Use of interconnections in the Region. The Initiative worked in the assessment of the use of infrastructures in the period 1st October 2014 to 30th September 2016. A report was published in October 2017. The main conclusions of the report are: 1) gas flows from North to South in the Region, 2) capacity is mainly booked through LT contracts and 3) there have been some cases of contractual and physical congestion in the winter 2014-2015 in VIP Pirineos. To prevent situations where demand is not satisfied, it is recommended to optimize the application of CMP mechanisms and to keep on monitoring the market appetite for incremental capacity. The report is available on ACER's website.



- Target 2. Gas balancing in the Region. The Initiative published a comparative analysis of the balancing regime in place in the three countries since the entry into force of the balancing NC to September 2017. The report recommends keeping on working in monitoring and gathering data to gain knowledge from practical experience in order to identify those areas where there is room for improvement. Finally, the reports suggests the possibility to analyze the potential for application of cross-border balancing regime in the Region. The report was published in October 2018 on ACER's website.
- Target 3. Improvements in market integration in the Region. In VIP Iberico the Initiative has been mainly working in the follow-up of the inclusion of the Portuguese side in MIBGAS. NRAs have developed the implicit allocation mechanism that has been already included in the Spanish and Portuguese national regulation. For the time being, contribution from NRAs side to the process has been completed and they will keep on supporting the process when requested.

In VIP Pirineos, the Initiative has analyzed the evolution of prices spreads among different EU market places, with especial focus on MIBGAS-TRF spreads, and the potential impact of the market areas merger in France on VIP Pirineos.

- Target 4. Assessment of the infrastructure investment plans according to regional PCI. The Initiative has followed and discussed about the TYNDP, PCI list and GRIPs processes.
- Target 5. Implementation of OSBB mechanism. The mechanism was approved in April 2016 and the implementation was successfully completed on 1st April 2018. Since then, the OSBB has been offered on a daily basis when feasible.

Comments/questions from stakeholders:

- NRAs were asked when it is envisaged to have the Portuguese side in MIBGAS working and the implicit allocation mechanism in place. NRAs explained that there is no a specific date to include the Portuguese side in MIBGAS. This issue is currently in progress pending on political agreements and, as soon as the inclusion is completed, the implicit allocation mechanism will start working.

III. 2017-2018 SGRI Work Plan 2019-2020

The Chair presented the SGRI Work Plan for the next two years. The aim of this new work plan is to keep on following all those issues affecting regulatory developments in the Region and gas flows. Most of the working areas of the new work plan have been



already addressed in previous work plans. It has been included a new target with hot issues currently under discussion in the EU context. The WP is divided into targets addressing two kind of tasks: 1) follow-up work, which gathers continuous tasks already considered in the former WP, usual updating information work and any other issue that may arise during the next two years on the target concerned and 2) potential deliverables, which will result in a document published on ACER webpage. The WP has been structured around the following four targets:

- Target 1. Infrastructures. Under this target, the report on the use of infrastructures released in October 2017 will be updated.
- Target 2. Market integration in the Region. The Initiative will continue following the progress of the inclusion of Portuguese side in MIBGAS and prices spreads between the different market places.
- Target 3. Contribution of gases to decarbonization. The aim of this target is to have a forum where participants can exchange experiences, promote the use of renewable gases and coordinate implementation of a balanced mix of energy sources and technologies.
- Target 4. Any other item. Open target to discuss any issue that may arise affecting regulatory issues or gas flows.

Comments/questions from stakeholders:

- NRAs invited stakeholders to contribute to the target 3 sharing any experience about gases to decarbonization.
- One shipper asked if France and Portugal will join the new LNG plants model (virtual tank model) and balancing regime in LNG plants currently under discussion in Spain. CNMC explained that the model has not been discussed with France and Portugal, it is still being designed in Spain. However, it might make sense in the future, after harmonizing balancing regimes.
- One shipper asked if the Initiative will discuss about tariffs for mobility and certificates of origin. NRAs explained that the aim of target 3 is only sharing experiences and good practices on how to overpass barriers to trade green gas, to stimulate trade and give coherence to any development in this area. All these issues are in a very preliminary stage and, in principle, it is not envisaged to produce any report under this target
- One shipper asked if the Initiative will discuss security of supply management in the Region in a joint manner. NRAs replied that it is not on the table, but any proposal is welcome and it would be analyzed.
- NRAs invited stakeholders to send comments/suggestions about the Work Plan 2019-2020.

IV. VIPs: use of capacity



IV.1 VIP Ibérico

TSOs presented capacity bookings on both sides of the borders from the 1st October 2018 to 30th September 2019, as well as flows from 1st January 2018 to 1st March 2019. During the year 2018, main flow direction was Spain to Portugal. In this period, the most remarkable event was the reversion of flows in VIP Ibérico observed since 2019.

Regarding the capacity to be offered in auctions for the next five gas years, in response to a NRAs' request, TSOs (REN and Enagás) are working on the technical analysis of the capacity for yearly products for the next five gas years at VIP IBERICO. The capacity to be offered will be published on the first Monday of June.

IV.2 VIP Pirineos

TSOs presented capacity bookings on both sides of the borders from 1st October 2018 to 30th September 2019, as well as flows from 1st January 2018 to 1st March 2019. During 2018, main flow direction was France to Spain. Since the end of 2018, flows were very close to 225 GWh/d. NRAs consider that the merger of market areas in France could be one of the reasons of the high utilization of the VIP.

With regard the capacity to be offered in auctions for the next fifteen gas years, the bundled capacity on both sides is scarce until 2022, due to the pre-existing LT bookings. Additionally, TSOs presented the functioning of the mechanisms to maximize the use of the capacity at the VIP, namely, CMP and interruptible capacity.

Comments/questions from stakeholders:

- One shipper asked if cross border tariffs in Portugal when flowing gas to Spain at VIP Ibérico will remain zero. ERSE explained that tariffs are being reviewed in Portugal in order to implement the Tariff Network Code. ERSE has published on 18th march its motivated decision on the new tariff methodology for compliance with the Network Code. Tariffs will be zero until September 2019, but the situation will probably change after that. ERSE stated that the document on its motivated decision on the tariffs methodology can be consulted in ERSE and ACER webpages. Final prices will be published at the beginning of June.
- One shipper asked NRAs is they are working in the harmonization of tariffs and tariffs multipliers for short term contracts. NRAs explained that NRAs are not currently working on the harmonization, but in the Network Code implementation in each country. In particular, CNMC has been granted competences on tariffs recently and they have just started working on it.
- One shipper asked about the reverse of flows in VIP Ibérico. CNMC explained that it was temporally removed a power generation tax in Spain that has been



altering the merit order in electricity markets. This is one of the reasons explaining the reverse of flows in VIP Ibérico.

- One shipper suggested that the use of interruptible capacity up to the limit at VIP Pirineos is a sign that efforts should be done to turn it into firm. Teréga explained that interruptibility is linked to GRTgaz network design and this is not possible yet.
- With regard to the merger of market areas in France, CRE explained that TRF creation has contributed to the secure management of the system.

V. Infrastructures in the Region

V.1 Workshop on Gas Regional Investment Plans (GRIPs)

ACER organized a workshop on GRIPs on 11st December in Brussels. There is a consensus on the limited interest of most NRAs, stakeholders and TSOs in GRIPs in comparison to NDPs / EU-TYNDP, which questioned if it is worth keeping developing GRIPs. GRIPs must focus more on the gaps in the Regions and should not try to replicate infrastructures of the TYNDP. CRE concluded that GRIPs can give interesting information when looking at specific issues in the Region not reflected in TYNDP.

V.2 TYNDP 2018

TSOs presented the process to develop the TYNDP 2018, the detailed timeline, scenarios (gas demand forecasts, CO₂ reduction targets, supply and demand adequacy) and the list of projects submitted by TSOs in the Region.

VI. PCI lists

VI.1 2019 list: project candidates in the Region

TSOs presented the PCI process and the PCI projects submitted by the Region. These are the STEP project (a new France-Spain interconnection pipeline) and the first phase of the 3rd Interconnection pipeline between Portugal and Spain.

VI.2 STEP project

NRAs explained the state of art of the STEP project. TSOs sent the investment request for CBCA on 23rd July 2018 to NRAs. The STEP project does not provide firm capacity on the French side. CNMC and CRE adopted a common decision on 22nd January in which both NRAs considered the project is not mature enough for a CBCA and recommend TSOs to carry out further studies in order for the project to provide clear positive benefits. On the other hand, ERSE stated the need to develop the project and



submitted a supporting analysis to ACER. Now ACER has to decide if ERSE is a concerned NRA or not.

Comments/questions from stakeholders:

- One shipper stated out that the 3rd Interconnection between Portugal and Spain has always been analysed linked to the STEP project, and asked if it has been assessed as a stand-alone project. Enagás clarified that the link between the projects was reflected in the Madrid Declaration. NRAs replied that there is not a CBCA request for the 3rd Interconnection at the moment.
- One shipper noted that CNMC and CRE opinion on the CBCA request for the STEP has been published, but ERSE has not published its opinion yet. ERSE pointed out that its analysis is also published on ERSE's website, and explained that it considers the project beneficial, since there are scenarios for which the CBA is positive, and that it is a concerned party too because Portugal is assigned a benefit above 10% of the total benefits provided by the project.
- One shipper asked what would happen if ACER considers Portugal as a concerned party regarding the STEP project. NRAs explained that then, there won't be an agreement among the three NRAs and consequently, ACER will have to take a decision on the CBCA.

VII. Market integration

VII.1. Application of market-based instruments to ensure firmness of capacities in the Trading Region in France

TSOs explained the mechanisms in place to deal with internal congestion in France after the merger of their market areas in November 2018. The order to apply these mechanisms are:

- 1) Interruption of interruptible capacity.
- 2) Locational spread: activated when a certain limit is reached, it consists of a market product traded on the gas stock exchange as a within-day locational product (TSO buys a "spread" through a simultaneous buy and sell - TSO buys downstream of the limit and sells upstream of the limit). Additionally, it includes flow commitments though call for tenders to have voluntary shippers put gas at the point where is needed (for concrete volumes and periods).
- 3) Flow commitments.

Locational spread relies on storage flexibility. If a critical situation is anticipated, TSOs may trigger the flow commitments.

Comments/questions from stakeholders:



- One shipper asked where data to anticipate lack of gas come from. TSOs explained that data come from a mix of assumptions and real data (level of gas in storage, LNG forecast, reference scenarios for consumption....) that gives a trend.
- CRE explained that shippers were involved in the design of these products, which is a good lesson for the development of other markets.
- One shipper asked what the cost of these products is and who pays for them. NRAs explained that the cost is initially covered by the TSOs and later included in the tariffs.

VII.2. MIBGAS

NRAs presented data on traded volumes in the spot and future markets in MIBGAS in 2018. Additionally, the evolution of prices in the last two months was presented. It was noted that MIBGAS followed the same pattern than the rest of the EU markets. The price spread between TRF and MIBGAS is expected to be shorter in the summer period than in winter. Finally, the developments that are currently pending for completing the inclusion of Portuguese side in MIBGAS were showed. It was also commented that a draft of market rules for MIBGAS has already been developed but must be updated.

Comments/questions from stakeholders:

- One shipper asked about the effect of measures to push liquidity in Spanish market. CNMC explained that these measures will be analysed in the next CNMC wholesale market monitoring report on MIBGAS.
- One shipper asked about the products to be sold in MIBGAS when the inclusion of Portuguese side is completed. NRAs explained that once completed the integration, similar products on both sides will be traded to be able to couple both markets and that implicit capacity allocation would be available in both flow directions.
- One shipper asked about a public consultation in the development of the implicit capacity allocation mechanism. CNMC noted that a formal public consultation was launched in Spain before the new “Circular” on CAM regulation was approved. In this line, clarification on the mechanism details before its application is requested.
- MIBGAS informed that a new president of MIBGAS has been appointed which is highly committed with the project of the inclusion of Portuguese side in MIBGAS.

VIII. AOB

A shipper asked about the expected timeline for the entry into force of the single tank model in Spain. CNMC explained that it is expected to launch a public consultation by the end of May open for a period of two months. The regulation on access, balancing



and tariffs will be approved after summer and the foreseen target is to have this regulation in place by 1st January 2020. An interim period is also being envisaged.

Dates for next meetings will be planned in the coming months.

All documentation presented in the meetings of the Region can be found on ACER website.