Questionnaire on the geographical composition of SSE region

Introduction

According to the draft RI Status Report[1] prepared by ACER:

"After more than seven years under the current geographical configuration of the GRI regions, one could question whether these groupings are the most appropriate ones to deliver the desired results and bring together efforts from NRAs, TSOs and stakeholders in the most effective way. The geographical composition of the regions has already been a matter of debate in several instances in the past, the last one of them triggered by the Communication from the Commission to the European Parliament and the Council on The future Role of Regional Initiatives[2], of December 2010. (...)

[The] current configuration of the SSE region could be perceived as more questionable, due to several reasons: there is a high level of heterogeneity in the degree of development of gas markets in the region; participation from several countries in the region has been very poor (or practically non-existent) over the last years; and priorities for countries in the region may vary substantially, given the different key factors that are most relevant for each one of them. (...)

The Agency recommends that a debate about the optimal geographical configuration of the South South-East region and the convenience of a potential split into several regions is held within the region, involving all relevant parties and authorities and including consultation to stakeholders if considered relevant. (...)

In addition, a question could also be raised regarding the convenience and potential benefits of extending the scope of the GRI to new countries in the EU neighbourhood, currently not involved in this initiative. In particular, the idea has been suggested at different fora of a possible expansion of the GRI to some contracting parties of the Energy Community, in order to foster the implementation of the EU regulatory acquis in the region. The extension of the GRI to these countries could bring positive effects, such as the inclusion of NRAs and operators from non-EU countries into working groups together with those from EU Member States, promoting experience sharing and lessons learned from implementation of EU regulatory provisions to be fed into these new countries, in particular in the most advanced ones, some of which are already candidates to join the EU. On the other hand, this integration of Energy Community contracting parties into the GRI might also bring additional challenges, creating further heterogeneity in the GRI and additional stress on available resources.

The Agency looks forward to assessing the possible extension of the GRI to specific contracting parties of the Energy Community area during the year 2014, discussing the potential advantages and downsides of this possibility with relevant actors from this region."

Taking this into account SSE GRI co-ordinators would like to start the discussion about the geographical scope of the SSE region.

Questions

As a first step, we would like to know fellow NRA's views on the above subject and collect your opinion about the current problems in our region. Please complete this questionnaire and send it back to Ms Karolina Golonka (karolina.golonka@ure.gov.pl) and Mrs Miranda Diana (mdiana@autorita.energia.it) by 14th February 2014.

1. Do you share the ACER's opinion on SSE region quoted above? Why?

AUSTRIA

E-Control shares ACER´s opinion about the lack of homogeneous distribution of tangible results and performances as well as the stakeholders´ involvement in the SEE region. The main objective of the GRI is to follow and give support to the early implementation of

[1] Version dated on 15th of January 2014.

[2] COM(2010) 721 final: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0721:FIN:EN:PDF

network codes through pilot projects. This fact is only possible under the condition of full implementation of the 3rd energy package provision at single member state level.
By the way we should not forget that the gas regional investment plan (GRIP) encompasses a slightly different region group of countries (Southern Corridor) than the GRI SSE.
From a brief analysis of the SSE Region, evident heterogeneities in the present group of countries leap out:

- *Poland is connected only through a small IP to Czech Republic (IP of Cesky Tesinhas a capacity of ~110 Nm3/h in direction Cz-> Pl), and it is not connected with Slovakia hence with the rest of the SSE region. Poland is interconnected basically only with Germany.*
- *Slovakia, Czech Republic and Austria are the core region in matter of transported quantities and interconnected capacities. They represent the "transit countries" of the region, from which gas flows basically to Italy and Germany. These countries are not strongly interconnected with the southern neighbouring countries.*
- *Hungary is interconnected with Austria, Croatia, Serbia and Romania. Hungary represents the trat d´union through Austria with the north part of the SSE from one side and Serbia (most important Country under the contracting parties of the Energy Community in the Balkan) and the south part of the GRI SSE on the other.*
- *Romania is the only gas "autarkic" country in the region, with future potentialities in exporting gas to Hungary. The transit of Russian gas to Turkey involves the eastern part of the Romanian network as well as Bulgaria*
- *Greece is a focal region for the future development of the southern corridor, it is itself only connected with Bulgaria.*
- *Slovenia Italy and Croatia are countries which are basically final markets for gas flows.*

According to the above explained peculiarities of the region, at least 3 different subregions could be identified:

- *Poland*
- *Czech Republic, Slovakia, Austria, Italy, Slovenia, Croatia, Hungary*
- *Romania, Bulgaria Greece*

Nevertheless, without detrimental of the above exposed considerations, we consider appropriate to maintain the region in its original composition or at least to expand it to the contracting parties of the Energy Community for the following reasons:

- *Balkan countries, both European Member States and Contracting Parties could represent the main route for new supply of gas to Europe in the next future. A cooperation and overview of the activities carried out in this regard are strategic for all SSE countries.*
- *A brighter cooperation under member states can foster the exchange of information and business practices. Closer regional groups could lack of the necessary heterogeneity in this regard.*
- *Objective difficulties in partitioning the SSE region in a way that could effectively improve the efficiency of the single stakeholders*
- *No objective relation between stakeholders´ performances and extension of the region.*
- *The reasons for the lack of participation could be probably better identified in the single country reluctance to adopt measures aim at changing the status quo in matter of integration and adoption of regulatory and legal measures.*

CZECH REPUBLIC

The Energy regulatory office shares the opinion of ACER regarding the need to reconfiguration of the SSE region.

Currently it may be observed that participating member states are significantly different from each other. Mainly with regard to implementation of European legislation and regulatory regime in member states of EU.

Thanks the cooperation on cross-border projects and regional integration the cooperation between EU member states and NRAs has been established and is further developed.

It's evident that states cooperating on these and others projects will want to cooperate closely and share their opinions as well as experience – consider creating of more sub-groups. However, we would like to emphasise that in case of reconfiguration of the SSE group it still will be necessary to organise meeting of the whole group.
Simultaneously, all new groups have to be informed each other about events in other groups.
We would like to declare that we welcome others countries as observers. We agree with ACER that these observing states could bring new views on solved problems and tasks.

GREECE

Although Countries of the SSE's regional initiative are at different levels of natural gas market development (i.e. different levels of shares of natural gas in electricity generation, different levels of natural gas consumption per capita, different level of openness), all "SSE countries" face similar problems (i.e one main natural gas supplier – Russia/Gazprom, limited cross border interconnections, limited reverse flows of the existed pipeline infrastructure, dominant or monopolistic position of incumbents, small markets due to the small size of countries, open issues of unbundling measures of the third Energy package). RAE notes that a further split of the SEE region into two or more "sub-regions" may not contribute to the European goal of achieving an integrated natural gas market.
A process for a modification in the current composition of the SSE, if any, should be interlinked –and assessed- under and within the concept of the, currently under revision, Gas Target Model. It should also be noted that new infrastructure in the first Union's PCI list have been assessed and selected based on their regional benefits. Thus the potential compact of splitting the SSE should be also evaluated under the context and the provisions of Regulation 347/2013.

HUNGARY

Yes, the extension of the GRI to specific contracting parties of the Energy Community area is necessary. Mainly to Ukraine because of the main part of EU's Russian gas import is coming through this country.

ITALY

Yes, we share ACER's opinion. Indeed we think that the current geographical scope of the SSE region is not able to support an efficient regional integration process. In order to foster market integration among SSE countries, it is necessary to split the region and gather together countries more interconnected and with similar market configuration. This will allow a better identification of common problems/targets and ease the development of ad-hoc pilot projects.

POLAND

In our opinion SSE region has adequate geographical scope and changing it is not necessary. Also an idea of extend the SSE region doesn't seem to be right: SSE region is actually wide enough and adding new countries might complicate process of integration. Moreover SSE region in our opinion is not grown enough to teach and getting new participants into the process of market's integration. We think that lack of spectacular success in building an integrated gas market in our region results from existing geopolitical and markets conditions in Eastern and Southern countries. Gas markets in the countries are highly concentrated and the advantages from liberalization are not clear for many stakeholders. SSE region is in a phase of develop and participant countries are seeking for some political guidelines that determinate which way integration should evolve. Nevertheless we are open minded for suggestions and discussion, if proposals of changing the geographical scope of the SSE region appears.

SLOVAKIA

Yes. Currently what we consider as a priority for Slovakia it is the need to harmonise in the region on the basis of natural cooperation countries V4 (Slovakia, Czech Republic, Hungary and Poland).

SLOVENIA

Partially we agree with the ACER. Nevertheless we would like to describe our own view. We cannot say that today's configuration exists for more than seven years. At the beginning the configuration was different. At least Bulgaria and Romania were not in the SSE region. The look in the past must take into the consideration that the main goal was a common European gas market. From that point of view and with the experiences we have back than it is acceptably that we create such a big region. At the beginning we also have a vision and with the tasks and small projects we try to follow this vision or at least we try to find out how realistic this vision is. Thru the years we get some experiences and the results from the finished projects show us some results. We think that we fail at this point. We did not analyse this results to the end and reform and reorganise our work on base of this results. When we saw that there is no (bright) light on the end of this way we just start to stagnate.

We think that in the light of today's understanding of the vision of common European gas market (which is slightly different from the understanding of such market in the past) we have to set new goals and projects with which we will be able to follow this vision. When we will do this, we will also see the best solution for the organizational changes of the region.

2. What are the main obstacles to going forward with the process of building one common gas market in our region? Please include comments on the following:

a. The current shape of the SSE region (too large or lack of certain key countries)?

AUSTRIA

E-Control is deeply convinced that the reason of the obstacle to going forward is not in the shape of the region

The fragmentation of the region could lead to hinder future cross border pilot projects.

Proactivity and willingness of cooperation of single countries are not in direct relation with the number of countries of a region.
In this meaning we don't consider any lack of key countries.

CZECH REPUBLIC
We do not consider that current shape of the SSE region could develop any obstacles in gas market integration.
Reconfiguration of the SSE region could help to better cooperation of countries, which share similar background.

GREECE
No, the current shape of the SSE as such is not considered to be an obstacle.
A main obstacle is the lack of infrastructure – particularly in the south-east part of the region coupled with the lack of a well defined driving force for the promotion of early actions.

HUNGARY
The current shape is OK but an extension to Ukaraine would be necessary (see the point 1.)
Earlier there was a lack of Croatia.

ITALY
Yes, we think that the region is too large and not all members look committed to the progress of the regional initiatives.

POLAND
The current shape of the SSE region is just as it should be. SSE region is of course large, however level of gas market's liberalisation and challenges which have to be faced are quite similar in participating countries, that is why we think that in actual shape we might create targeted model of gas market easier and more efficient.

SLOVAKIA
Too large region and thus not efficiently coordination of steps at regional level

SLOVENIA
The current shape of SSE region does not give the fundamental connections of the countries which are needed to develop a well functioning common gas market. (PL is not connected with GR)

b. Too low level of involvement of stakeholders and Member State Governments in the process?

AUSTRIA
As far as Austria concerned, the main stakeholders (E-Control, GCA, BOG, TAG and CEGH) have proactively promoted early implementation and pilot projects with neighbouring stakeholders. As far as the Austrian Government concern it has supported the Austrian stakeholders´ initiatives so far.

CZECH REPUBLIC

Involvement of stakeholders and Member State Governments in the working group is very important. However, we consider that cooperation of NRAs with stakeholders and Member State Governments is necessary mainly at the national level. Absence of these subjects will not develop any obstacles.

We consider the key cooperation especially between NRAs.

GREECE

TSO involvement is necessary however as discussed under c) below, often lack of resources coupled with the voluntary nature of early actions, the lack of infrastructure and the unclear regulatory regime between interconnected Member States fail to provide the necessary signals for a strong regional cooperation to implement early actions

HUNGARY

Sometimes yes, if a quick decision is needed.

ITALY

EU energy stakeholders showed interest in the regional activities, while only a few MS representatives took part in our meetings. We think that a higher involvement of MS is of utmost importance to guarantee the achievements of EU energy target. This is true not only for our region but also for the NW and South regions as well.

POLAND

Perhaps there should be some actions taken to motivate stakeholders to closer co-operation. Most important action should be taken by both European and national governments working together is preparation of an uniform guidelines for integration in regions. Dividing the region might result tightening the co-operation between members of smaller groups. On the other hand, we should not forget about plans of building a gas infrastructure called "South-North Corridor". The project is already on an advanced stage and actual shape of the SSE region, guarantee the best realisation of it. Nevertheless, we think that the level of integration in SSE region is quite satisfactory.

SLOVAKIA

Yes

SLOVENIA

Yes we agree with this statement. We do not see MSG as project leaders or developers of good market conditions but they still have to be present in this process at least as supporters of the idea.

c. Lack of resources (financial/human) in your NRA which can be allocated to the process?

AUSTRIA

E-Control has always allocated the necessary internal resources, both human and financial, for carrying out all the necessary activities and for giving the necessary support to the Co-

chair countries and the Austrian´s stakeholders in dealing with the promotion of pilot projects and early implementations.

CZECH REPUBLIC

Generally, lack of resources (financial and human) may influence the work of group. Currently, many working groups were established and as a result, the regulators are not able to participate in all the meetings because they don't have human or financial resources.

GREECE

It is true that the increasing number of ACER's Working Groups and Task Forces coupled with the extended responsibilities of the NRAs leads many Regulators/ TSOs and other stakeholders to have an only limited participation in Regional initiatives.
It is essential for ACER to clarify the role of regional initiatives with respect to ACER's Groups wor kand its task forces and to strengthen their importance in the context of the early imlementatio of the Networks codes.

HUNGARY

Yes, mainly the lack of human resources was an obstacle in the last few years to achieve an adequate level of work. But currently there is an ongoing process in international affairs' human resources, which reduced that problem

ITALY

As co-chair, we supported the activities of the SSE region since its beginning.

POLAND

It is one of main obstacles and problems we have to face with. Lack of both human and financial resources slowing down the process.

SLOVAKIA

Not active participation in the process as a consequence of financial and human lack of resources in our NRA

SLOVENIA

Because of the tasks on the national level we cannot dedicate in this moment more resources to these tasks.

d. Are there any other obstacles?

AUSTRIA

Obstacles to an effective cooperation among member states can probably be founded in the legal and regulatory framework as well as in the energy policies of single member states.

CZECH REPUBLIC

Any working group should have clearly defined objectives. Objectives have to be achievable and realizable. Some objectives are too ambitious and so for some countries absolutely unrealizable in the considered period of time.

GREECE

The lack of a clear objective of Regional Initiatives with respect to the basic target: an integrated energy market (IEM).

HUNGARY

No answer

ITALY

Another obstacle is the low turn-over in the chairmanship of the region. If members agree to set up a rotation of the chairs position, the commitment of all members will probably increase.

POLAND

No answer

SLOVAKIA

Distinct stages of national market liberalisation processes, different markets and tariff systems

SLOVENIA

No answer

3. Do you think that reconfiguration of the SSE region (dividing it into parts which could include countries from other regions) could accelerate the creation of a common regional gas market? Why?

AUSTRIA

We don't think that the reconfiguration of the SSE region will resolve the lack of stakeholders´ involvement. Stakeholders´ involvements can be obtained only with ad hoc policies which overwhelm in strength and value the supposed benefits of a regional partition.
Moreover, a regional partition could preclude or hinder potential developments of integration of regional markets.

CZECH REPUBLIC

Partially we do. But all depends on obligingness of member state to cooperate on tasks and participate on meetings.
It is Important to established targets and area of interest, which working group will want to work on.
From our point of view implementation of any Network Code on national level will play a key role.

GREECE

No, RAE is not convinced that the reconfiguration of the SEE can accelerate the creation of a common regional gas market. On the contrary it maybe argued that a reconfiguration of the SEE would lead further delays.

An integrated efficient market requires

a) from an Institutional perspective, a common regulatory regime, a common monitoring system, a common enforcement system, a leading (by law) Authority (Commission/ECJ/ACER), a common financial system in addition,

b) from technical perspective, a common infrastructure development - interoperability (common ways of measurement), common applied codes/one TSO/and one auction Office.

A large active SSE is more likely to provide the driving force for MS which either due to the lack of interconnections or to the absence of a clear regulator regime towards integration may xperience delays in the implementation f early actions.

HUNGARY

No, I don't't think that the dividing can accelerate th process.

ITALY

Yes, we do. As explained above, countries with similar features will benefit from the setting up of common pilot projects aimed at solving common problems and/or remove barriers to the cross-regional gas trading. Working at technical level on "real-life problems" and common projects will accelerate the creation of a common regional market.

POLAND

No, actual configuration of SSE region is the most appropriate and ensure proper creation of a common regional gas market.

SLOVAKIA

Yes. New grouping of countries should contribute to further regional integration towards a single EU gas market.

SLOVENIA

Reconfiguration by itself will not bring any success. Reconfiguration based on the well defined small goals oriented to the common and correctly defined goal named common EU gas market – this can bring the success.

4. If you think that the SSE region should be reconfigured, please describe which your most desirable geographical configuration is and outline the criteria according to which a new region could be built.

AUSTRIA

We can support an extension of the present SSE Region to Energy Community contracting parties which have shown a proactive and cooperative attitude inside the Energy community itself.

CZECH REPUBLIC

We propose following criteria: projects PCI, regional integration, regulatory regime, neighbouring countries, historic relation from the perspective of gas sector, similarities of gas systems in view of regulation, influence of gas market and infrastructure on other countries.

New working group could consist of the following states: AT, CZ, DE, PL, HU, SK.

GREECE

No answer

HUNGARY

Involving Ukraine could be enough to a new configuration.

ITALY

Our ideal region is made up of: France and Germany (countries which are not currently part of the SSE Region), Italy, Austria, Slovenia. The main criteria are: physical interconnections and common implementation issues (necessity to define common rules on many National network code provisions).

POLAND

Not applicable

SLOVAKIA

In terms of the functioning of the market, the initiative of V4 countries is considered as very beneficial integrative model, which has the relevant political support and there is live cooperation in the field of energy and gas industries with the relevant support for infrastructure projects.

The Roadmap and the Memorandum of understanding define the objectives of this integration model, which we endorse and where we see opportunities for cooperation and space for the gradual building of a common market.

SLOVENIA

Configuration cannot be made until we do not agree and set up new goals and project which will bring us to the level of functioning EU gas market. This task requests the definition what is a good functioning gas market (We think that we already have this; 20 Bcm, HHI below 2000...), we need country or countries which meets this requests, between this countries we need a country which have the resources and interest to lead the region and we need the strong and clearly expressed support from the MS Governments.

5. What kind of tasks should be worked on in the region in the current and/or future configuration? Which issues are the most important/interesting for your country?

AUSTRIA

Austria sets particular value on harmonisation and transparency of rules, striving to give shippers and traders a clear and stable regulatory basis. This attitude should speed up the accomplishment of the internal energy market.

For this reason we consider of upmost importance the cooperation among NRAs and TSOs in order to put in place pilot projects for the early implementation of network codes (CAM, IO, BAL), CMP rules and single nominations.

Moreover we consider strategic for a harmonized development of IEM a well-functioning coordination in the implementation of new investments in the gas network aim at reducing potential overinvestment and stranded costs.

In this contest we consider of upmost importance a cross check among neighbouring member states in order to set a common set of rules ain at fixing the basis for a clear regulatory framework for shippers and traders.

CZECH REPUBLIC

For the future reconfiguration should be worked:
Regulatory framework – regulatory methodology, price decrease
Respect of historical context of gas infrastructure – the transmission system in the Czech Republic was built with the aim to ensure gas supply for Western Europe.
Tariff setting therefore need to reflect scope of available infrastructure.
Customers in the Czech Republic can't bear the costs associated with maintaining of infrastructure which is needed for transit transmission of gas.

GREECE

Infrastructure development and early implementation of the NC on Capacity Allocation and balancing,

HUNGARY

Security of Supply. The mutual help to each other in case of SoS emergency situations, mainly with the common use of the potential underground gas storage capacities.

ITALY

We think that regions should mainly focus on the implementation of Network Codes. At the moment the most important issues for Italy are the implementation of CAM, CMP and balancing provisions.

POLAND

We should focus on the earlier implementation of network codes and harmonization of the way in which NC's shall be implemented.

SLOVAKIA

In the short and medium term, it is our priority to focus mainly on the implementation of the network codes.

SLOVENIA

Possible tasks:

- *Finding out possible combination of countries which could form the region regarding requests of well developed wholesale market*
- *Analysing of development of transmission paths between different combination of countries*
- *Establishing new regions and 1 to 3 years development/working plans*