



## 39<sup>th</sup> IG Meeting. South Gas Regional Initiative

4<sup>th</sup> October 2016, from 11:00 h to 13:00 h

Teleconference

### Minutes of Meeting

#### List of participants

Last name	First name	Organization	Email
Andre	Gabriel	TIGF	<a href="mailto:gabriel.andre@tiqf.fr">gabriel.andre@tiqf.fr</a>
Alonso	Alejandro	CNMC	<a href="mailto:alejandro.alonso@cnmc.es">alejandro.alonso@cnmc.es</a>
Alonso	Nuria	CNMC	<a href="mailto:nuria.alonso@cnmc.es">nuria.alonso@cnmc.es</a>
Apolinario	Isabel	ERSE	<a href="mailto:iapolinario@erse.pt">iapolinario@erse.pt</a>
Bruttin	Clemence	CRE	<a href="mailto:clemence.bruttin@cre.fr">clemence.bruttin@cre.fr</a>
Camarillo	Javier	ENAGAS GTS	<a href="mailto:fjcamarillo@enagas.es">fjcamarillo@enagas.es</a>
De Vicente	M <sup>a</sup> Ángeles	ENAGAS	<a href="mailto:madevicente@enagas.es">madevicente@enagas.es</a>
Duffau	Fabien	TIGF	<a href="mailto:fabien.duffau@tiqf.fr">fabien.duffau@tiqf.fr</a>
Ferreira	Sandra	ERSE	<a href="mailto:sferreira@erse.pt">sferreira@erse.pt</a>
Galletta	Riccardo	ACER	<a href="mailto:Riccardo.GALLETTA@acer.europa.eu">Riccardo.GALLETTA@acer.europa.eu</a>
García	Ana Belén	ENAGAS GTS	<a href="mailto:abgarcia@enagas.es">abgarcia@enagas.es</a>
Mangin	Claude	GRTgaz	<a href="mailto:claudemangin@grtgaz.com">claudemangin@grtgaz.com</a>
Marmota	Rui	REN	<a href="mailto:rui.marmota@ren.pt">rui.marmota@ren.pt</a>
Moreno	Beatriz	CNMC	<a href="mailto:beatriz.moreno@cnmc.es">beatriz.moreno@cnmc.es</a>
Prieto	Rocío	CNMC	<a href="mailto:rocio.prieto@cnmc.es">rocio.prieto@cnmc.es</a>
Romero	Fátima	ENAGAS	<a href="mailto:fromeroc@enagas.es">fromeroc@enagas.es</a>
Tanase	Lavinia	ACER	<a href="mailto:Lavinia.tanase@acer.europa.eu">Lavinia.tanase@acer.europa.eu</a>
Vaz	Francisco	REN	<a href="mailto:mouro.vaz@ren.pt">mouro.vaz@ren.pt</a>
Verdelho	Pedro	ERSE	<a href="mailto:PVerdelho@erse.pt">PVerdelho@erse.pt</a>
Yunta	Raúl	CNMC	<a href="mailto:raul.yunta@cnmc.es">raul.yunta@cnmc.es</a>

**All documents presented in this meeting are available on the ACER web page:**  
<http://www.acer.europa.eu/Events/39th-IG-Meeting/default.aspx>

#### **I. Opening**

The chair welcomed all participants to the 39<sup>th</sup> Implementation Group (IG) meeting.



The minutes of the 38<sup>th</sup> IG SGRI meeting was approved.

The agenda of the meeting was approved.

## **II. Interoperability NC.**

### **II.1. Interconnection agreements.**

The chair gave a quick review on the status the interconnection agreements (IAs). The IA template was approved on 11<sup>th</sup> April 2016. TSOs involved sent to NRAs the respective full versions of IAs (VIP Pirineos on 15<sup>th</sup> July and VIP Ibérico on 2<sup>nd</sup> August). TSOs drafted a non-confidential version of the IAs. NRAs agreed to widen the TSO's non-confidential versions. TSOs submitted the extended non-confidential versions to public consultation (PC). These versions contain the following sections: rules for the matching process, rules for the allocation of gas quantities and communication procedures in case of exceptional situation.

Public consultations were launched in the respective TSOs websites (VIP Pirineos on 15<sup>th</sup> September and it will be opened until 15<sup>th</sup> November and VIP Ibérico on 26<sup>th</sup> September and it will be open until 26<sup>th</sup> November).

TSOs informed that, for the time being, they have not received any comment.

Once PC period is closed, TSOs will analyze the comments received and will take them into account where appropriate. The final version of the IAs is expected to be published in the TSOs website by the end of 2016.

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## **III. Balancing**

CNMC explained the last regulatory developments with regard the implementation of the balancing NC in Spain. Market rules have been modified to include the management of guarantees (for imbalances, capacity booking and market participation) and the model agreement for the creation of a market maker. Moreover, the TSOs rules for technical management of the system have been modified to incorporate changes in matching, balancing, nominations/renominations procedures and to define parameters establishing normal operation of the grid and when TSO must buy title products in the VTP. Balancing regulation entered into force on 1<sup>st</sup> of October 2016 without incidents.

ACER asked CNMC if the platform is working with full information. CNMC explained that the platform is working well, is giving all information shippers require to operate in the market and until now, the registered imbalances have been very small. There has not been need for balancing actions these first three days.



TIGF asked for clarification regarding market maker provisions. CNMC explained that it has been approved the general framework to develop market makers on a voluntary basis. The market maker will have a remuneration for performing this role (particular conditions will be discussed bilaterally with the market maker). The market maker will provide flexibility to the market in general, not only for balancing purposes. The goal is to improve market liquidity.

In France, TIGF explained that balancing rules are in force since 1<sup>st</sup> October 2015. Following the discussion held in the last IG meeting, exposed the updates to be introduced in the balancing rules after the analysis of responses to the public consultation launched last June 2016. It is going to change:

- the method of taking balancing actions in the gas market:
  - adjustment of purchases/sales threshold values related to balancing intervention so that they can provide more flexibility in the linepack
  - use of a robot/Powernext (T12017). CNMC asked for further details about this tool. TIGF clarified that it is provided by Powernext not only for TSO use but also for traders and it can be used to operate in the market in general (not only for balancing purposes). The tool is automatic. It applies trading algorithms (predefined parameters) and operates automatically in the market with no human intervention.
  - Increase the number of windows (T12017). CRE asked for further explanation of this measure. TIGF explained that currently, TSOs have four windows of intervention of 5 minutes each every day. From T12017 on, TSOs will be able to operate at any moment (continuously) in the market from Monday to Friday in normal trading hours. Weekends and out of normal trading hours, it will be kept the windows of intervention. TIGF pointed out that the increase of liquidity in the market has allowed for introducing this change.
- A daily calculation of the Balancing repartition key inside the Trading Region South.
- Adjustment of financial Guarantee level.
- A new outstanding balancing indicator to monitor potential default. The indicator is a ratio that compares “current imbalances incurred” vs. “guarantee provided” to check that participants do not incur in financial difficulties.

In Portugal, REN explained that balancing entered into force by 1<sup>st</sup> October 2016. Detailed rules of balancing were approved and in this transitional period, they are working with a Portuguese platform which takes as reference price for imbalances the price of the Spanish VTP with a penalization of 2,5%. It is foreseen to use the same trading platform that Spain, MIBGAS. Rules and procedures developed are implementation of information provision mechanisms TSO/shippers and TSO/DSOs, nomination provisions (1<sup>st</sup> November 2015), new balancing rules, REN as forecasting party, daily imbalance charges methodology and methodology for calculation of neutrality charges.

**On this issue, participants agreed to keep informed IG on the implementation of the balancing NC.**

#### **IV. Regional integration of gas markets**

##### **IV.1. MIBGAS: ongoing developments**

CNMC showed the presentation on MIBGAS that is going to be presented in the next Madrid Forum.



Regarding the evolution of prices, the first slide shows the coupling of prices of MIBGAS and the South of France and the decoupling with the North of France and TTF. GRTgaz pointed out that decoupling might be explained by the internal congestion existing in France and increase in LNG prices.

It was also showed the interconnection capacity in the VIP Ibérico and it arose the question on why there have been changes in the maximum technical capacity<sup>1</sup>.

The current situation is that capacity is allocated by PRISMA auctions and there is no physical or contractual congestion. Further integration of the Iberian market is scheduled in two steps: in the short term, implementation of implicit allocation mechanism and in the medium/long term, through a trading region model.

Finally, it was presented the roadmap to complete the first stage, namely, implementation of implicit allocation.

ERSE highlighted that MIBGAS is already designated as the negotiation platform for Portugal. TIGF asked when is “long term”. CNMC explained that it has not been fixed dates to start to discuss or implement the trading region model yet because for the time being, work is focused on short term issues, concretely, it is working to include Portuguese products to, later on, implement the implicit allocation mechanism. CRE asked for more concretion on the implicit allocation mechanism functioning. CNMC explained that it is going to live together the current explicit auctions (PRISMA) with the implicit allocation mechanism, namely, buying in the exchange capacity and gas together in a single product (capacity+commodity). To this end, a part of the capacity is set aside for implicit allocation before holding explicit auctions by PRISMA. CNMC is modifying the Circular of Balancing to include all the necessary provisions to implement implicit allocation mechanism in the interconnection.

Regarding implicit allocation, ERSE expressed its concern about the existence of cross border tariffs because CB tariffs make spreads of prices between Spanish and Portuguese VTPs higher which it is an obstacle to move gas. CNMC agreed with this and pointed out it is envisaged to remove CB tariffs in the LT (MIBGAS second step).

**Participants agreed to keep informed SGRI IG on the progress of the integration of the Spanish and Portuguese markets.**

## **V. Proposal for the new SGRI Work Plan**

The Work Plan of the SGRI for 2017-2018 was discussed. The Work Plan includes six targets regarding use of infrastructures in the region, gas balancing regimes, market integration, tariffs, infrastructures and other issues. Since the last IG meeting, CNMC has received several comments that are set out below.

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<sup>1</sup> Enagas gave a website link where it can be seen capacity calculation methodology.

[http://www.enagas.es/enagas/es/Gestion\\_Tecnica\\_Sistema/Capacidades\\_e\\_infraestructuras\\_del\\_Sistema/Capacidad\\_Tecnica\\_interconexiones](http://www.enagas.es/enagas/es/Gestion_Tecnica_Sistema/Capacidades_e_infraestructuras_del_Sistema/Capacidad_Tecnica_interconexiones)



Regarding the content of first target about the use of infrastructures in the Region, CNMC presented a proposal of subjects for this deliverable. It is agreed:

- move the deadline from March 2017 to June 2017 (comment from CRE/ACER)
- take into account the indicators used by CEPA consulting when developing the report (ENAGAS) although not excluding other indicators
- try to draw recommendations from a regional perspective (ACER)
- Analyze secondary capacity trade (ACER)
- Include new bullets regarding capacity calculation methodology and secondary market trade.

Regarding the second target about balancing regimes, there is agreement on analyzing also evolution of balancing regimes (ACER).

Regarding the third target about market integration, it is agreed:

- involve market operators in this deliverable (CNMC)
- If integration between Iberia and France is subject to progress of the Iberian market, the deadlines should be fixed accordingly (ACER/CRE). CNMC consider that it is possible to progress on both documents simultaneously or at least on some issues such as the analysis of the market rules of every market. CRE propose postpone deadlines.
- TSOs are working on developing the GRIP and this report will be finished in the 1T2017. The chapter regarding market analysis could be link to this (ENAGAS GTS).

Regarding the fourth target about tariffs, CRE consider that this report should be elaborated by NRAs (no TSOs). CNMC notes the lack of resources to develop this deliverable that is why ask for TSOs help to make this assessment. ACER points out that the deliverable should analyses LNG tariffs and ERSE that it should be also considered cross border tariffs.

Finally, it is agreed that this is a very complex issue and the work plan is already very ambitious so consequently, it is agreed to remove this deliverable from the WP2017 and address it in the future. Furthermore, if we take into account the recently approved TAR NC which will modify the tariffs in the region.

With regard fifth target about infrastructures, CRE consider that NRAs should only analyses PCIs and not TYNDP. ACER asked if this report is linked to GRIP. ENAGAS confirmed that GRIP will be published in the 1T2017. ENAGAS explained that TSOs would like to present the GRIP to the stakeholders and proposed to present it, if NRAs agree, in a stakeholders group meeting (SG GRI) otherwise they would make public the report by other means (for example, public consultation).

Finally, the sixth target “other possible pending issues”, CNMC reminded TSOs that is still pending the implementation of the OSBB mechanism. Regarding this, ENAGAS has started to have internal meetings to clarify the IT project that is the biggest issue. They will try to implement on 1<sup>st</sup> April 2017 although, due to the heavy workload for the implementation of implicit allocation, it is not sure if they are going to be able to. REN is working together with ENAGAS. TIGF do not have particular comments on this issue.



Accordingly, the WP is amended to read as follows:

**Target one about the use of infrastructures in the Region:**

**Assessment of the use of interconnections in the Region from the implementation of the Network Codes: from 1st October 2014 to 30th September 2016.**

1. The current situation of gas interconnections in the Region.
  - Capacities
  - Capacity calculation methodology
  - Flows
2. The use of the gas interconnections.
  - Booked capacities.
  - Capacity used.
  - Available capacities.
  - Secondary capacity trade
3. Assessment of the capacity allocated since the implementation of the CAM network code.
4. Assessment of the gas flows and the congestion status.
  - Analysis of the VIP's congestion status.
  - Use of anti-hoarding mechanisms in the region.
  - Assessment of the CMP implementation.
5. Recommendations
  - For the allocation of capacity.
  - For the congestion management.
6. Conclusions.

**Deliverable Deadline: June 2017**

**Comments: The assessment will use indicators proposed by CEPA consulting in line with ACER and ENTSOG + other indicators and will analyze possible recommendations from a regional perspective.**

**Target two about gas balancing regimes in the region:**

**Follow-up of the Balancing regimes at national levels and in the interconnections. Assessment about unbalancing volumes, costs, number of TSO balancing actions, etc. (from 1<sup>st</sup> October 2016 to 30<sup>th</sup> September 2017):**

1. Sharing information in the region:
  - NRAs will do the index and contents of the “template” report.
  - Every TSO will complete the report about their own balancing zone.
2. NRAs and TSOs will do a synthesis how the different balancing regimes are working the SGRI.

**Deliverable Deadline: December 2017**



**Comments: it will be analyzed also the evolution of the balancing regimes**

**Target three about market integration**

**Next steps to further market integration:**

**1. Iberia.**

- ✓ To accommodate MIBGAS market rules.
- ✓ To revise CAM rules at the Iberian VIP to accommodate implicit allocation mechanism.
- ✓ To elaborate a proposal of communication procedures among MIBGAS and TSOs.
- ✓ To implement the model.

**Deadline: According to Iberian gas deadlines.**

**2. Iberia with France**

- ✓ NRAs/market operators will analyze market rules (exchange) of every market.
- ✓ NRAs will assess market prices behavior.
- ✓ NRAs will make some recommendations and conclusions.

**Deliverable Deadlines: a) October 2017  
b) March 2018  
c) October 2018**

**Target four about tariffs:**

**Removed from the WP 2017-2018 (to be addressed in the future)**

**Target five (four from now on) about infrastructures:**

1. TSO's TYNDP proposal.
2. NRA's assessment according to the PCI regional development process.

**Deliverable Deadlines: according to the PCI process**

**Comments: take into account the GRIP available in 1T2017**

**Target six (five from now on) about other pending issues:**

1. Implementation of OSBB mechanism.

**Deadline: 1<sup>st</sup> April 2017**



**Next IG meeting: 29<sup>th</sup> November 2016 (by telco).**