**44th IG Meeting. South Gas Regional Initiative**

**6th October 2017, from 11:00 h to 14:00 h**

Teleconference

Minutes of Meeting

**List of participants**

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***All documents presented in this meeting are available on the ACER web page:*** http://www.acer.europa.eu/Events/44th-IG-Meeting/default.aspx

1. **I. Opening**

The chair welcomed all participants to the 44th Implementation Group (IG) meeting.

The minutes of the 43rd IG SGRI and the agenda of the 44th IG SGRI meeting were approved.

**II.WP First target: Use of infrastructures in the Region**

**II.1. Final draft. Use of interconnections from 1st October 2014 to 30th September 2016 report** (for information by TSOs).

Regarding the first target of the SGRI Work Programme 2017-2018, TSOs has submitted the final draft of the report “Use of infrastructures in the Region (Oct 2014- Sept 2016)”. The Chair congratulated the TSOs for the thorough work done and noted that it is really valuable for everybody to have all this information gathered in a single report. The Chair and the TSOs presented the conclusions and recommendations of the report with regard to prevailing flows, booked/allocation/used of capacity and application of CMP in both VIPs. TSOs informed that they are currently discussing about capacity calculation topics in order to progress in the harmonization of joint capacity calculation (data exchange, boundary conditions…) and to evaluate dynamic calculation on short term basis.

The floor was opened for discussion. With regard to the recommendations, ACER asked for clarification on the recommendation to extend the criteria for triggering UIOLI LT mechanism to the rest of the CMP mechanisms when the rest of the mechanisms in place do not need to be triggered. TSOs explained that this recommendation is focused on the need to define a common contractual congestion indicator across Europe. TSOs agreed to clarify the wording. CRE considered that currently there is no need for developing new infrastructures. ERSE noted that since they do not have LT contracts, the application of UIOLI LT is not necessary. ENAGAS responded that under the new CAM is mandatory to auction yearly products as a minimum for the next five years (currently in Portugal the minimum is only one year) and the application of UIOLI LT might release some capacity that could be offered to the market. CNMC asked about the figure of interruptible technical capacity in VIP Pirineos (North-South direction) which, according to the report, it is 60 GWh/d (W) and 50 GWh/d (S) in the VIP after applying the lesser rule while it is 60 GWh/d all the year at French side. TIGF confirm that this is correct. Once 98% of firm capacity is booked it is offered the available interruptible capacity 60 GWh/d (all year) which means that the total technical capacity available to be offered in the French side (firm+interruptible) is 225 GWh/d (165 GWh/d firm+60 GWh/d interruptible) in the winter period and 235 GWh/d (175 GWh/d firm+60 GWh/d interruptible) in the summer period.

After the discussion, it was agreed to recirculate the debated parts of the report for comments in order to clarify the wording and to agree on recommendations. Afterwards, the report will be submitted for online approval and published in ACER website throughout October 2017.

**II. 2. CMP: brainstorming on the development of coordinated mechanisms** (for discussion NRAs and TSOs).

The Chair explained that the CMP mechanisms are applied in a no harmonized way in both sides of the interconnections. He explained the different criteria defined to trigger the UIOLI LT mechanism at both sides of the interconnection in VIP Pirineos. In the Spanish side, the mechanism is triggered to prevent potential congestion while in the French side is only triggered to solve contractual congestion when congestion has already occurred. CRE noted that UIOLI LT interpretation is not very clear yet (different interpretation in each country). The Chair opened the discussion on the possibility to further harmonize the application of the mechanism. This debate is important in a context in which the booked capacity will be increasingly bundled and some auctions have already been cleared with premium. The Chair stated that CNMC is completely open to any solution but he considers that a full alignment of criteria at both sides of the interconnections is desirable (one single set of criteria equal at both sides of the VIP).

It was agreed that TSOs will present a joint document analyzing the current situation at both sides in order to assess the potential for full alignment of criteria. NRAs and ACER will also discuss this issue in an RCC meeting.

**III. 3 Follow up of 60 GWh/d unbundled capacity** (for information by TSOs).

TSOs explained how the 60 GWh/d of unbundled capacity (interruptible French side/firm Spanish side) are offered/booked/used since December 2015 in French side and January 2017 Spanish side. In Spanish side, this capacity (60 GWh/d (W), 50 GWh/d (S)) is offered as yearly products (Y) and if it is not allocated, it is offered in the following shorter time horizons (Q, M, D and WD). Since January 2017, this capacity has been booked/used mainly in January and some days of February and June. In the French side, this capacity (60 GWh/d both in summer and winter) is offered when 98% of firm capacity is booked. During 2017, this capacity has been offered only in January since the triggering conditions have not been met at any time later. In France, this capacity is offered only in the DA auctions. With regard to the used of this capacity, TIGF explained that when capacity is interrupted they inform to shippers. Interruption episode are published in the transparency platform. The only way to offer this capacity as bundled product would be to offer it as interruptible in daily basis at each side of the border. Equations for interruption launching were published in previous IG meetings.

Regarding the use of the capacity, TSOs explained that, in January 2017, more than 95% of unbundled capacity was allocated in the monthly auction; consequently, shippers had the certitude that TIGF was going to offer interruptible capacity. Nevertheless, since January the allocation of bundled capacity has been marginal however shippers has been booking the unbundled capacity in the Spanish side which indicates that shippers had a counterparty in the French side (firm capacity).

**With regard to the report “Use of infrastructures in the Region (Oct 2014- Sept 2016)”**

* **The final draft will be recirculated for comments.**
* **Final version will submitted for online approval and subsequently published in the ACER´s website throughout October 2017**

**With regard CMP, TSOs will present a joint document analyzing the current situation at both sides of the IP in order to analyze the potential for full alignment of criteria for application of UIOLI LT mechanism. NRAs and ACER will also discuss this issue in an RCC meeting.**

**Lastly, TSOs will periodically update IG about the use of the 60 GWh/d of unbundled capacity (interruptible French side/firm Spanish side).**

**III. WP Second target: Balancing regimes in the Region follow-up of the balancing regimes from 1st October 2016 to 30th September 2017 (February 2018)** (for information by NRAs):

The Chair presented a draft proposal of the second chapter of the report and a detailed index for comments. In the first draft of the second chapter is described the Spanish balancing regime. The Chair invited CRE and ERSE to include the description of the balancing system in their countries (2nd chapter). With regard to the index it is described in detail the information/data that TSOs are expected to provide in this report.

**ACER will submit comments on both documents in the next two weeks.**

**It was agreed that CRE and ERSE will sent their contribution (description of the balancing regimes in France and Portugal) by the end of November.**

**TSOs will inform about the ongoing developments in the next IG meeting.**

**IV. WP Third target. Market integration** (for information by NRAs and TSOs)**:**

**IV.1. Iberia**.

The implicit allocation mechanism has been already agreed and it has been submitted to public consultation in both countries. Comments received in Spain reflects that shippers welcome the mechanism although they keep awaiting to know the development of the mechanism in detail. NRAs have done their regulatory work and the inclusion of the Portuguese gas VTP in MIBGAS is pending on high level decisions which allows for Portugal to join MIBGAS so, for the time being, further steps are out of the scope of the NRAs.

 **IV.2. France: gas prices and internal congestions.**

It was presented the evolution of the price spreads among MIBGAS, TRS, PEGNord and TTF in the period 1st March 2017- 3th October 2017.

It was observed that prices were mainly aligned throughout the period although an important spike of prices is observed in MIBGAS in the last days of September and the beginning of October. The rest of the hubs (TRS, PEG Nord and TTF) kept their prices almost coupled. The increase in prices in MIBGAS may be due to an increase of gas demand for electricity generation together with a quick increase of the LNG spot prices.

With regard to merging market areas in France envisaged for November 2018, CRE informed that it is early to present preliminary results of public consultation. The consultation closed at 15th September and they are already analyzing results. By the end of 2018, there will be a single market area in France with two balancing areas (GRTGaz and TIGF) although shippers will be calculated a unique balance account for France. If there is congestion between North and South, TSOs will use dedicated market based mechanisms to solve it. CRE confirmed that the functioning of balancing regimen will be explained in detail in the report on balancing regime in SGRI and in the RCC meeting to be held by the beginning of December.

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**ERSE and CNMC will keep informed IG on MIBGAS developments and, in particular, with regard to the entry into force of the implicit allocation mechanism in VIP Iberico and the inclusion of the Portuguese VTP in MIBGAS.**

**CRE will update in the next IG and RCC meeting on the status of the merge of market areas in France and the impact on the balancing regime.**

**It is agreed to keep on following the evolution of prices and spreads and the proper functioning of the markets.**

**V. WP Fourth target. Infrastructures.** (for information by TSOs)

TSOs presented the key messages of the South GRIP published last summer. REN stated the only lack of robustness detected in the South Region is related to the N-1 indicator for Portugal since the Portuguese system is not able to cover demand in these circumstances for all the scenarios. In this regard, ERSE explained that this calculation depends on data of demand evaluation for SoS purposes. ERSE will propose to REN a change in the SGRIP document. The Chair noted that SGRIP is a TSO´s document so the opinion expressed by TSOs have not necessary been aligned with NRA´s opinion.

**TSOs/NRAs will keep informed IG on the progress of the plans/projects for developing infrastructures.**

**VI. WP Fifth target. Pending issues**

**VI.1 . Implementation of OSBB mechanism** (for information by TSOs)

The Chair invited TSOs to inform about the situation of the OSBB mechanism implementation. TSOs presented the last developments and the timelines for the full implementation of the OSBB at both VIPs.

Regarding VIP Iberico, the OSBB mechanism was implemented in manual mode with a filter in April 2017. The filter implied that the OS was offered only if total booked capacity after monthly auction is higher than 95% (from now to October 2017)/ 90% (from October 2017 to April 2018) of nominal capacity. Following the request of NRA´s, this filter was removed and the mechanism is applied without filter since the 4th July 2017. TSOs are currently working for the implementation in fully automatic mode by April 2018.

Regarding VIP Pirineos, the OSBB mechanism the implementation in semiautomatic mode is envisaged by the 6th November 2017. TSOs are currently in testing phase for this preliminary implementation. TSOs are currently working for the implementation in fully automatic mode by April 2018.

**TSOs will keep informed the IG members on the developments to implement the OSBB mechanism in a fully automatic and coordinated way.**

**VII. AOB**

TSOs presented a proposal for changing Large Price Steps (LPS) for LT auctions in order to optimize the level of the booked capacity at these VIPs. Currently, LPS represents 2.5% of the regulated tariff, while the value of SPS (Short Price Steps) is LPS/5. TSOs proposed to modify the value of the LPS from 2.5% to 1% of the regulated tariff. TIGF noted that with the increase of the tariff at VIP Pirineos after the merge of zones in France, this measure will optimize the subscription of capacity.

Although CNMC and ERSE had no objection, CRE proposed to further assess the proposal and to discuss it in the next RCC meeting.

**NRAs agreed to discuss the modification of the value of LPS for LT auctions in the next RCC meeting.**

**VIII. Calendar for the next meeting.**

**Next RCC meeting: 4th December 2017.**

**Next IG meeting: *tbd*.**