**45th IG Meeting. South Gas Regional Initiative**

**8th February 2018, 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:*** [https://www.acer.europa.eu/Events/45th-IG-Meeting/default.aspx](https://extranet.acer.europa.eu/Events/45th-IG-Meeting/default.aspx)

1. **I. Opening**

The chair welcomed all participants to the 45th Implementation Group (IG) meeting.

The minutes of the 44th IG SGRI and the agenda of the 45th 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 NRAs).

With regard to the first target, the Chair informed that the report has been concluded and the final version was published in ACER website in November 2017.

**II. 2. CMP: potential for further coordination** (for discussion NRAs and TSOs)

Regarding the CMP mechanisms, the Chair retook the discussion occurred during the last IG where NRAs agreed on having a further discussion on this issue in the RCC. To put in context, the Chair reminded the participants 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.

The different triggering conditions in both Spanish and French side means that the mechanism may be triggered in one side but not in the other. If applied only at one side:

a) to bundled products, the capacity would become unbundled what may be contrary to CAM Regulation

b) to both bundled or unbundled products, the effectiveness would be limited or even useless since at the other side the capacity is still booked presumably by the same shipper to whom capacity has been removed.

In conclusion, the mechanism as it is currently set out is inapplicable in practice. For all these reasons, it is considered that it is necessary to establish a common set of criteria triggering the mechanism at the same time at both sides.

In order to move forward in the discussion, the Chair presented a number of principles that stem from the “ACER´s Opinion on the application of the surrender mechanism”. . These principles are:

a) Application of CMP with a view of **maximizing available capacities** in all adjacent entry-exit systems to **prevent future congestion events**

b) **Level playing field** between users of new and existing for the sake of a well-functioning Internal Market

c) To prevent **capacity hoarding** and

d) To avoid shippers pay more than they had paid if there had been more available capacity (**auctions with premium**).

In the RCC meeting, NRAs agreed on studying how to improve the application of the mechanisms and requesting TSOs/ACER the following information in order to analyze the current situation at both sides to be able to assess the potential for full alignment of criteria:

* In VIP Pirineos: analyzing (backtesting) what had happened in the past if in the auctions had been offered capacity released due to the application of the LT UIOLI mechanism to capacity systematically underused (less than 80%), paying special attention to the case of auctions with premium.
* VIP Iberico: Since LT UIOLI mechanism must be developed in Portugal, analyzing historical flows and LT bookings at both sides in order to decide how to define the mechanism.
* If supported by evidences, ACER could be invited to give their criteria on how it must be applied the LT UIOLI mechanism across Europe.

TSOs agreed on the proposal. ENAGAS proposed to work together with the other TSOs and stated that it is a good moment of debate to do this study since CMP/CAM are currently under review. GRTGaz proposes to have a common solution in all IPs in Europe and invites ACER to give their view on this issue. ACER noted that the debate on NCs is open and it must be seen from the evidence if an amendment of the NC is really needed. ACER mentioned that this measure is very strict, related with capacity hoarding and there are some criteria to be met, as stated in CMP GL (Point 2.2.5.1). Existing contract law should be respected as well. ACER asked for more evidence whether it is theoretical or practical problem (i.e. are there   any users

who would like to  take  over that  capacity?). ACER mentioned that this should be presented at CAM TF/AGWG level, in case if  CAM NC amendment process will be used.

**With regard to the potential for further coordination in the application of the CMP mechanisms, it was agreed on requesting TSOs and inviting ACER to provide IG with the following information:**

* **In VIP Pirineos: analyzing (backtesting) what had happened in the past if in the auctions had been offered capacity released due to the application of the LT UIOLI mechanism to capacity systematically underused (less than 80%), paying special attention to the case of auctions with premium.**
* **VIP Iberico: Since LT UIOLI mechanism must be developed in Portugal, analyzing historical flows and LT bookings at both sides in order to decide how to define the mechanism.**
* If supported by evidences, ACER could be **invited to give their criteria on how it must be applied the LT UIOLI mechanism across Europe.**

**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 explained the state of play of the document. The NRAs has already drafted the second chapter describing the balancing regimes in place in the three countries although the document has not been circulated since it must be reviewed in order to have a more homogeneous information of the three regimes. On the other hand, all TSOs presented the preliminary findings on the functioning of the balancing regimes until now. ERSE and CRE agreed on submitting some additional information to complete chapter 2 and every TSOs agreed on sending the first draft of chapter 3 for their balancing area to CNMC by the 16th February at latest. CNMC will compile all the information and will send a first draft of chapters 2 and 3 to IG members by 23rd February at latest. ACER asked about the timelines and the process of drafting the recommendations/analysis. 1 month will be taken extra (March) for this.

With regard to the presentations, CNMC asked about the use of the locational products in France. CRE explained how these products are used although the explanation was quite difficult to follow without an explanation in writing. CRE committed to send a presentation/document explaining this issue by the next IG meeting. ACER asked about the prices of the balancing actions in Spain. CNMC explained that the price of the balancing actions is the market price and only about 20% of the times the TSOs is fixing the marginal price. REN explained that in Portugal MIBGAS is not working yet but they are using MIBGAS prices as reference price for balancing actions.

**ERSE and CRE agreed on submitting some additional information to complete chapter 2 and every TSOs agreed on sending the first draft of chapter 3 for their balancing area to CNMC by the 16th February at latest. CNMC will compile all the information and will send a first draft of chapters 2 and 3 by 23rd February at latest.**

**By the next IG meeting, CRE will explain how locational and spread products are used in France.**

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

**IV.1. Iberia**.

The Chair invited MIBGAS to explain the functioning of the market and the state of play of the inclusion of Portuguese VTP to MIBGAS. Firstly, MIBGAS presented some figures where it can be seen the progressive increase of the negotiated volumes (volumes without taking into account TSOs actions). With regard to Spain-Portugal market integration, there are no big news. In accordance with MIBGAS explanation, to complete the inclusion of the Portuguese VTP in MIBGAS is pending:

a) The signature of an Intergovernmental Agreement (IA) between Spanish and Portuguese Government,

b) The approval of a new set of market rules including Portuguese products and market coupling mechanism,

c) A MoU between ERSE and CNMC for the supervision of the market and

d) A protocol to exchange information between MIBGAS and REN with regard authorized agents and notifications.

Lastly, MIBGAS announced that MIBGAS DERIVATIVES will entry into operation in the next few weeks.

CNMC proposed to develop the MoU to be ready in case Intergovernmental Agreement (IA) is approved. ERSE considers that there is no need for waiting to the signature of the Intergovernmental Agreement since the market coupling is already approved by NRAs, the market rules are the same for Portuguese than for Spanish products and the protocol for information exchange between MIBGAS-REN started two years ago. On the contrary, MIBGAS insisted on the need of signing an IA because the market rules should include Portuguese products and that is not possible without such agreement.

**CNMC and ERSE will keep on discussing bilaterally on the inclusion of Portuguese VTP in MIBGAS and will jointly develop a MoU in the next weeks.**

**Both NRAs will keep inform IG about the state of play of the inclusion of Portuguese VTP in MIBGAS.**

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

With regard to merging market areas in France envisaged for November 2018, CRE and TIGF explained how the French gas system will work after the merge in a single market area, how congestions will be solved and the use of spread products (different from locational products). CNMC noted that the explanation is very difficult to follow on the phone without a support in writing. CRE committed themselves to send a presentation to explain these issues in the next IG.

CNMC exposed that whatever mechanism will be used inside France to avoid internal congestions that might occur as a consequence of the merger must not impact in the firm capacities existing in the French-Spanish interconnection since 2013.

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**CRE will send a presentation updating on the status of the merge of market areas in France and will explain the functioning of the gas system, how congestions will be solved, the use of spread products (and the difference with locational products) and the impact on the balancing regime in the next IG.**

**IG will keep on following the evolution of prices and spreads and the proper functioning of the markets.**

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

NRAs updated on the state of play of the STEP project. The 26th January took place a High Level meeting. The CBA is already finished and NRAS are working together to prepare the document for the investment request (next step) asking TSOs for a proper analysis of the project.

**TSOs/NRAs will keep informed IG on the progress of the plans/projects for developing infrastructures, in particular, about the state of play of the STEP project.**

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

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

The TSOs explained that the OSBB mechanism has been already implemented and it is operated successfully at both VIPs although they will keep on working on improving the IT systems to automatize the application of the mechanism as much as possible. Furthermore, TSOs gave some figures of the functioning of the mechanism in these months where it can be seen that capacity has been offered almost every day (except days with IT problems to upload capacity in PRISMA) although this capacity has not been subscribed.

The Chair congratulated the TSOs for the final implementation of the OSBB mechanism and invited them to keep IG periodically informed on the results of the application of the OSBB and on the IT improvements for further automatization.

**TSOs will keep informed the IG members on the functioning of the OSBB mechanism and on the IT improvements for fully automatization.**

**VII. AOB**

**NRAs informed TSOs that the proposal for changing the value of the LPS (Large Price Step) of PRISMA auctions from 2,5% to 1% of the regulated tariff is approved.** Consequently, this change can be applied since the yearly auction to be held in July 2018.

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

**Next IG meeting: 11th April 2018.**