**47th IG Meeting. South Gas Regional Initiative**

**28th April 2018, from 11:00 h to 14:00 h**

Teleconference

Minutes of Meeting

**List of participants**

| Last name | First name | Organization | Email |
| --- | --- | --- | --- |
| Alonso | Agustín | CNMC | nuria.alonso@cnmc.es |
| Alonso Lage | Ana | ENAGAS | amalonso@enagas.es |
| Alonso | Nuria | CNMC | [nuria.alonso@cnmc.es](mailto:nuria.alonso@cnmc.es) |
| Apolinario | Isabel | ERSE | iapolinario@erse.pt |
| Batista | Helena | REN | helena.batista@ren.pt |
| Cachão | Alexandre | REN | Alexandre.cachao@rengasodutos.pt |
| Camarillo | Javier | ENAGAS GTS | fjcamarillo@enagas.es |
| Castro | María | ENAGAS GTS | mcastro@enagas.es |
| Costa | Raquel | REN | raquel.costa@ren.pt |
| De Vicente | María Ángeles | ENAGAS | madevicente@enagas.es |
| Diniz | Valter | REN | valter.diniz@rengasodutos.pt |
| Domingues | António | ERSE | adomingues@erse.pt |
| Duffau | Fabien | Teréga | fabien.duffau@tigf.fr |
| Esteves | Jorge | ERSE | jesteves@erse.pt |
| Hidalgo | Ana María | ENAGAS | amhidalgo@enagas.es |
| Izquierdo | Paloma | ENAGAS | pizquierdo@enagas.es |
| Jaselskyte | Zivile | ACER | Zivile.JASELSKYTE@acer.europa.eu |
| Leveille | François | CRE | francois.leveille@cre.fr |
| Losser | Jonathan | GRTGaz | jonathan.losser@grtgaz.com |
| Martinez | Carlos | ENAGAS | cmartinez@enagas.es |
| Monedero | Teresa | CNMC | teresa.monedero[@cnmc.es](mailto:beatriz.moreno@cnmc.es) |
| Parada | Luis Ignacio | ENAGAS | liparada@enagas.es |
| Poillion | Christophe | GRTgaz | christophe.poillion@grtgaz.com |
| Prieto | Rocio | CNMC | rocio.prieto@cnmc.es |
| Teixeira | Eduardo | ERSE | eteixeira@erse.pt |
| Torres Pastor | Raquel | ENAGAS | rtorres@enagas.es |
| Verdelho | Pedro | ERSE  Fa | [PVerdelho@erse.pt](mailto:PVerdelho@erse.pt) |
| Yunta | Raúl | CNMC | [raul.yunta@cnmc.es](mailto:raul.yunta@cnmc.es) |

***All documents presented in this meeting are available on the ACER web page:*** [https://www.acer.europa.eu/Events/46th-IG-Meeting/default.aspx](https://extranet.acer.europa.eu/Events/46th-IG-Meeting/default.aspx)

1. **I. Opening**

The chair welcomed all participants to the 47th Implementation Group (IG) meeting.

The minutes of the 46th IG SGRI and the agenda of the 47th IG SGRI meeting were approved.

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

**II. 1. CMP: potential for further coordination** (for discussion NRAs and TSOs)

Regarding the CMP mechanisms, TSOs presented the requested analysis on UIOLI LT mechanism, in particular:

* In VIP Pirineos: ENAGAS and Terega presented what had happened in the auctions already held (in particular in auctions closed with premium) if the underused capacity had been removed from capacity holders. Three simulations: first, following French rules in both sides; second, following Spanish rules in both sides; and third, with any possible improvement TSOs can suggest.
* In 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.

The conclusions of the analysis can be summarized as follow:

* It has been detected underused capacity in both VIPs.
* In VIP Pirineos where the UIOLI LT mechanism is in place:
  + if the 22 GWh/d detected as underused would had been offered in monthly auction for “January 2017” product (auction that it was closed with premium), the capacity requested had been allocated in first bidding round and, consequently, shippers had paid no premium for the capacity booked.
  + The UIOLI LT mechanism is in place but the triggering conditions defined at both sides of the VIP, although both fulfils the CMP guidelines, make the UIOLI LT mechanism inapplicable.
* In VIP Iberico, the mechanism had not been developed yet but involved NRAs agreed on the need to coordinate themselves to define conditions to apply the UIOLI LT mechanism in VIP Iberico.

NRAs and ACER thanked TSOs for the work done that puts on the table the issues arising when CMP mechanisms are applied. The same mechanism with different triggering conditions might become inapplicable. This might be happening in other IPs across Europe. The analysis shows that there is room for improvement in the application of CMP guidelines. This can be considered as a case study to be taken into account in the future for potential amendments of CMP guidelines.

**With regard to the potential for further coordination in the application of the CMP mechanisms, TSOs committed to report about the results and conclusions of the analysis about the application of LT UIOLI (in progress).**

**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 current state of the deliverable. After asking for information on chapters 2 and 3 to TSOs and NRAs several times, the information received is still incomplete to draft both chapters, especially with regard to input of the French balancing regime. The first draft of these two chapters is essential to address the following ones, namely comparison of the functioning of the three regimes, conclusions and recommendations. The Chair kindly asked TSOs and NRAs to review the detailed index and provide the drafter with the requested information.

**CRE committed to send the requested information throughout the next week. CNMC will compile all the information received. Once reviewed, CNMC will send the first draft of the chapters 2 and 3 to all IG members before start working drafting the following chapters.**

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

**IV.1. Iberia**.

CNMC explained that MIBGAS Derivatives and Omiclear (clearing house) have received all permissions to start negotiating future contracts of Spanish markets and it is envisaged that negotiation starts in the next few weeks.

With regard to market integration, there are no news since the last meeting. With regard to the negotiation in the Portuguese VTP, ERSE informed that a meeting was held with MIBGAS. There is still some pending formal issues to solve.

CNMC suggest that the spot market in Portugal can be developed without the need for a high level agreement between the countries; ERSE already has appointed MIBGAS as the market operator of the Portuguese exchange so probably only remains the subject of the remuneration. CNMC volunteered to help in this process, both explaining how a regulated remuneration is allocated in Spain for MIBGAS during the first years, and how liquidity is being develop. Once both exchanges created, Spanish gas regulation, already approved, envisaged market coupling of Iberian market through implicit allocation

**CNMC and ERSE will keep on discussing bilaterally around the creation of the Iberian market NRAs will keep informed IG about the state of play of the Portuguese VTP**

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

1. **Follow-up of gas prices**

Higher LNG prices than usual due to the high demand in China (due to environmental issues) may explain the premium of Spanish market prices compared to the prices of other European markets.

The first week of March, a peak of gas demand in Central Europe due to severe climate conditions explains the price spike. It is remarkable that for first time ever the physical flow of gas in VIP Pirineos was flowing gas from Spain to France at almost maximum capacity of the IP (including oversubscribed capacity). This shows that market is functioning since gas flows follow the gas prices signals. During this spike prices episode, two flexibility elements were not working as usual: underground storage in UK were not in operation and Groningen production is being restricted. At the end of the winter period the gas market returned to the normal situation.

1. **Merger of market areas: functioning of the gas system.**

With regard to the merger of market areas in November 2018 in France, CRE shared a presentation. CRE explained, under different scenarios, how French TSOs would tackle the remaining internal constraints after the merger, the entry-exit points affected and the mechanisms (and merit order) to apply in different points in the event of daily constraints, and when these mechanisms failed. Furthermore, it was presented an example of the functioning of locational spreads products and the last resort mechanism, called mutualized restriction (pro rata reduction of nominations to remove congestions). Enagas asked how VIP Pirineos will be affected with the application of these mechanisms, in particular with mutualisation, taking into consideration that all capacity sold are firm capacity. CRE explained that VIP Pirineos has the same consideration than any other entry/exit point of the French gas system. Enagas remarked that tariffs are increasing in VIP Pirineos at French side and the mutualisation mechanism is not taking into consideration this issue.

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

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**CRE will update the group on the progress of the creation of the single gas market area in France.**

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

NRAs updated on the state of play of the STEP project. NRAs informed that the investment request document was sent by TSOs. Currently, TSOs are asking to stakeholders to have their last opinion of the project. This consultation will be opened until the 12th April. The three NRAs will hold a CBCA kick-off meeting on 12th April.

TSOs confirmed the submission of the document to the three NRAs. They consider that the IR document is completed. NRAs have a 6 months period to take a CBCA decision. TSOs highlighted that it is critical to respect this deadline for requesting CEF fund on time. They indicated that EU Regulation establishes that time starts running once the last NRAs receive the IR and they consider that it is not allowed to extend this period for any reason. The TSOs reminded that the consultation foreseen in Regulation 347/2013 has been performed with the « demand assessment report ». The results of the stakeholders’ consultation currently open will be submitted to NRAs once assessed.

CRE considers that the six months period starts when the IR is complete which is currently under assessment. Enagas disagreed and insisted on explaining that time starts running with the IR reception. Any assessment on the completeness should be performed during this 6-month period.

TSOs were asked on the amount of CEF funds to be requested. ENAGAS explained that it is up to NRAs to decide on whether they adopt a position on CEF funds (e.g. through a conditioned CBCA) or make a total allocation of costs. The possibility is to ask for up to 50% of eligible costs and, according to the business plan presented, TSOs might ask for that. It is expected to receive the 35%.

**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)

TSOs presented figures about the OSBB mechanism functioning since the entry into operation 152 days ago. It has been offered OS capacity from France to Spain the 38% of the days. No OS capacity has been sold in this direction. From Spain to France, OS capacity has been offered 80% of the days. Only one day, the 2th March 2018, all the OS capacity offered was sold (22,5 GWh). There was no need for triggering buy back. The OS capacity sold has increased incomes in 26.000 euros.

**TSOs will keep informed the IG members on the functioning of the OSBB mechanism.**

**VII. AOB**

TSOs informed that they are currently discussing on dynamic calculation of IP technical capacity. The next IG meeting, TSOs will be able to provide the group with some figures. NRAs welcomed this initiative and encouraged TSOs to keep on working to maximize the capacity offered at IPs.

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

**Next IG meeting: 28th June 2018.**