**48th IG Meeting. South Gas Regional Initiative**

**16th October 2018, from 10:00 h to 12:00 h**

CNMC premises (Madrid)

Minutes of Meeting

**List of participants**: ACER, CNMC, CRE, ENAGAS, ERSE, GRTGaz, REN, TERÉGA.

***All documents presented in this meeting are available on the ACER web page:***

[***https://acer.europa.eu/Events/48th-IG-Meeting/default.aspx***](https://extranet.acer.europa.eu/Events/48th-IG-Meeting/default.aspx)

1. **I. Opening**

ACER opened the session and noted that SGRI is one of the Regional Initiatives that it is currently operative and encouraged the SGRI members to keep on working.

The chair welcomed all participants to the 48th Implementation Group (IG) and announced that, on this occasion, the 48th IG meeting would be more a brainstorming about new activities than a meeting as usual.

ERSE asked to inform IG on the public consultation on tariffs in Portugal. The proposal was taken on board and the Chair invited ERSE to speak about this issue in the point of the agenda “6. Other issues”.

The minutes of the 47th IG SGRI and the agenda of the 48th IG SGRI meeting were approved with the change proposed by ERSE.

**II.WP First target: Use of infrastructures in the Region** (for information by NRAs)

The Chair started the meeting explaining that the first target was achieved. The report on the use of infrastructures in the Region was published on ACER´s website. The report shows that there is a high variability in the use of infrastructures throughout the year. The analysis shows that the use responds to market signals. It can be concluded that CAM is working properly in the Region.

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

The Chair informed that the second target was also achieved. He reminded that the report on balancing regimes in the Region was submitted for online approval in September 2018. It was finally approved on 20th September and sent for publication on ACER´s website. The report was published on the web the day after the IG meeting (17th October). The report shows that the balancing regime has been implemented in the three countries of the Region and it is working properly. In order to move forward in market integration, the report suggests the possibility to further explore the implementation of cross border balancing actions.

The report can be found in the following link:

[https://www.acer.europa.eu/en/Gas/Regional\_%20Intiatives/South\_GRI/Pages/default.aspx](https://extranet.acer.europa.eu/en/Gas/Regional_%20Intiatives/South_GRI/Pages/default.aspx)

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

CNMC informed about the latest developments in Spanish wholesale gas market. MIBGAS has started to trade derivatives through MIBGAS DERIVATIVES. The negotiation began in June 2018 and this segment of the market has started to have some liquidity in September/October. Secondly, CNMC informed MIBGAS is currently developing a new product that will allow trading in LNG terminals.

**IV.1. Follow-up of gas prices** (for information by NRAs and TSOs)

Regarding gas prices, it can be seen on the slides that the evolution of MIBGAS prices is very linked to of price pattern in the South France gas market (TRS) while prices in PEG Nord are more linked to TTF than to MIBGAS/TRS. There were also shown the prices of futures in MIBGAS and PEG Nord for the first quarter 2019 (Q12019). It can be seen that gas prices Q12019 is around 3 euros higher in MIBGAS than in PEG Nord (for this period there will be just one market zone in France), similar to short term VIP Pirineos tariff.

At the same time, in the last quarterly auction held in PRISMA, all the capacity auctioned in VIP Pirineos for this quarter (Q12019) in France-Spain direction was totally booked and the competitive pressure in the auction was very high. The auction closed with a premium of 48% over the reserve price. The link between gas prices and capacity bookings show that market is working properly, following price signals.

**IV.2. Merger of market areas: functioning of the gas system.** (for information by CRE)

The merger of market areas and the necessary development of infrastructures are on track by 1st November 2018. The stock levels of underground gas storages are currently high. Storage is one of the tools, particularly on the French system to deal with potential internal congestion. Additionally, the system has other short and medium term mechanisms to address congestions such as locational gas. Anyway, French TSOs explained that anticipation to detect potential risk of congestion is key to tackle them. With regard to the potential effects on VIP Pirineos of gas scarcity in the South of France, in scenarios of lack of LNG, French TSOs rely on storage and flows from the North but the likelihood of this scenario is very little. With regard to the cost of locational products is explained that the cost is included *ex-post* in the tariffs (the cost is socialized). Once the new system is working, it will be evaluated the cost of the actions to solve congestions to decide if developing new infrastructures is a cheaper alternative.

**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)

**V.1. Follow-up STEP**

The Chair updated on the state of play of the STEP project. The full investment request was received on 23th July 2018. NRAs have six months to make a decision, namely, until the 23th January 2019. There are four CBAs report of the STEP project and NRAs are currently discussing on what inputs must be considered with regard to scenarios, CAPEX, OPEX, etc. For the time being, everything is open for discussion.

ACER stated that they are following the discussion very closely and asked NRAs to keep them informed. ACER noted that in case that no full agreement is reached and is submitted for ACER´s decision, they will start their analysis to make a decision from zero.

**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. Other issues**

**VI.1. New LNG model in Spain** (for information by CNMC)

The Chair informed that it is currently open a public consultation in Spain about a new model to manage LNG terminals. The consultation shows five separate models. The target is to optimize the use of the six Spanish LNG terminals. Virtual LNG storage tank and virtual storage regasification plant for the set of LNG plants is the model proposed. The consultation will be open until the 31st October.

**VI.2. Plan for implementation of UIOLI LT at VIP Ibérico** (for information by ERSE)

ERSE explained that in VIP Ibérico up to now it was offered capacity only for one year. After new CAM came into force, it is offered capacity for the next 5 years so from now on it is necessary to implement the UIOLI LT mechanism. They will start working on the design of this mechanism soon but ERSE noted that they are currently focused on tariffs.

**VI.3. Public consultation on tariffs in Portugal.** (for information by ERSE)

ERSE informed that there is currently open a public consultation on tariffs (TAR NC) in Portugal. There are three models on consultation:capacity distance model, matrix model and a modified capacity distance model taking into account incremental costs. They have shared the Excel sheets in order to everybody be able to replicate the calculations.

**CNMC and ERSE invited attendants to participate in the public consultations on new LNG model in Spain and on tariffs in Portugal.**

**ERSE will develop a proposal on UIOLI LT mechanism in VIP Ibérico.**

**VII. New activities: brainstorming on new work program** (for discussion by NRAs and TSOs)

The Chair opened a brainstorming about the issues to be addressed in the next SGRI Work Program for the period 2019-2020.

There were proposals around three main topics:

* More engagement in energy transition and gas decarbonisation. In this sense it was proposed to address issues such as cross border trade and certificates of origin, sharing best practices/experiences in general, and in particular, on renewable gases.
* Tariffs. It was proposed to study the spreads at IPs, the consequences in electricity sector of the existence of different tariff regimes in electricity and gas and how to integrate the two visions.
* Infrastructures:
  + What must be taken into account to build the scenarios for infrastructures development.
  + Dynamic capacity calculation for infrastructures (how to maximize the capacity offered).
  + Potential for the application of implicit allocation mechanism.

It was agreed to draft a proposal of Work Programme 2019-2020 and to share it online before the next IG meeting.

**CNMC will draft and share online a proposal of SGRI Work Program 2019-2020 before the next IG meeting**

**VIII. AOB**

No other issue was raised.

**IX. Calendar for the next meeting.**

**Next IG meeting: 15th January 2019** (by telco).

**Next SG meeting: 19th March 2019** (in Madrid).