


ACER

 Agency for the Cooperation
of Energy Regulators

Briefing on recent developments on the Agency's work

**ACER South South-East Gas
Stakeholder Group meeting (SSE GRI, 26th SG)**

Prague, 27 November 2019

1. ACER recommendation on EU gas market in times of decarbonisation (Gas Bridge conclusion paper)
2. Review of the national tariff consultation documents
3. ACER implementation monitoring report on TAR NC
4. ACER implementation monitoring report on BAL NC

1. ACER recommendation on EU gas market in times of decarbonisation (Gas Bridge conclusion paper)

Context:

Need to adjust gas regulatory framework to the new energy policy goals

Aim:

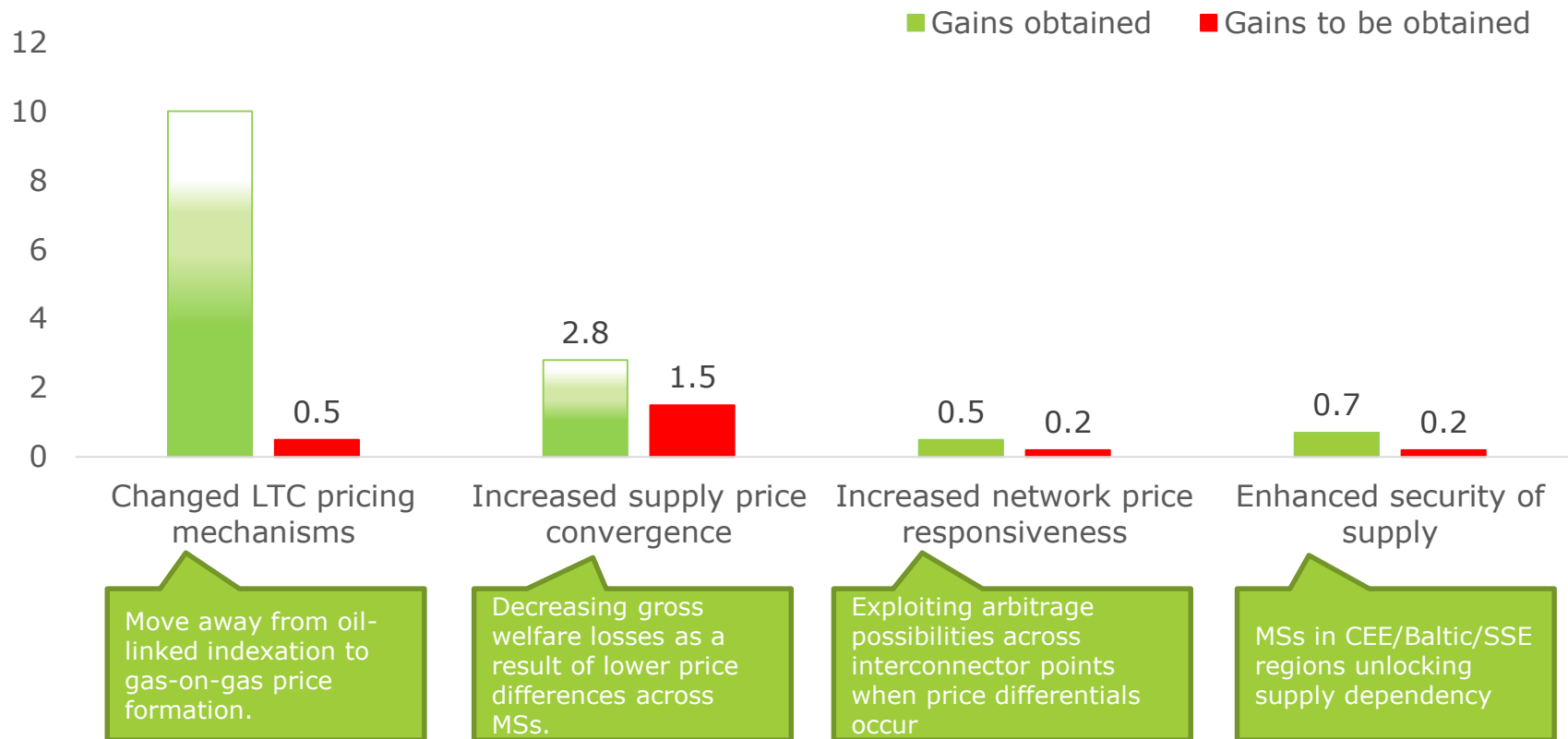
Support the EU institutions in identifying future challenges and appropriate measures for the gas sector after 2025



To become the world's first climate-neutral continent, Europe must reduce emissions further and faster, and by at least 50% for 2030. Given energy production and use accounts for 75% of the EU's emissions, energy will have a central role to play in the European Green Deal.

EU gas consumers saw tangible benefits from better functioning wholesale markets and could gain even more

Estimation of annual welfare gains since 2013 in billion euros for selected categories

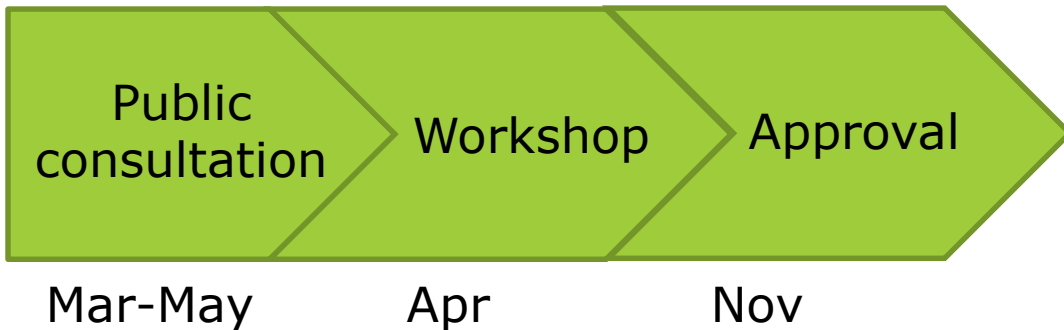


The estimated gains of the various categories can not be summed up because they are interrelated

ACER



CEER



- ACER Recommendation
- ACER – CEER Conclusions document
- Evaluation of Responses

Access and market monitoring

Governance of infrastructure and oversight of existing and new entities

Dynamic regulation for new activities and technologies

Transmission tariffs and cross-border capacity allocation

2. Review of the national tariff consultation documents

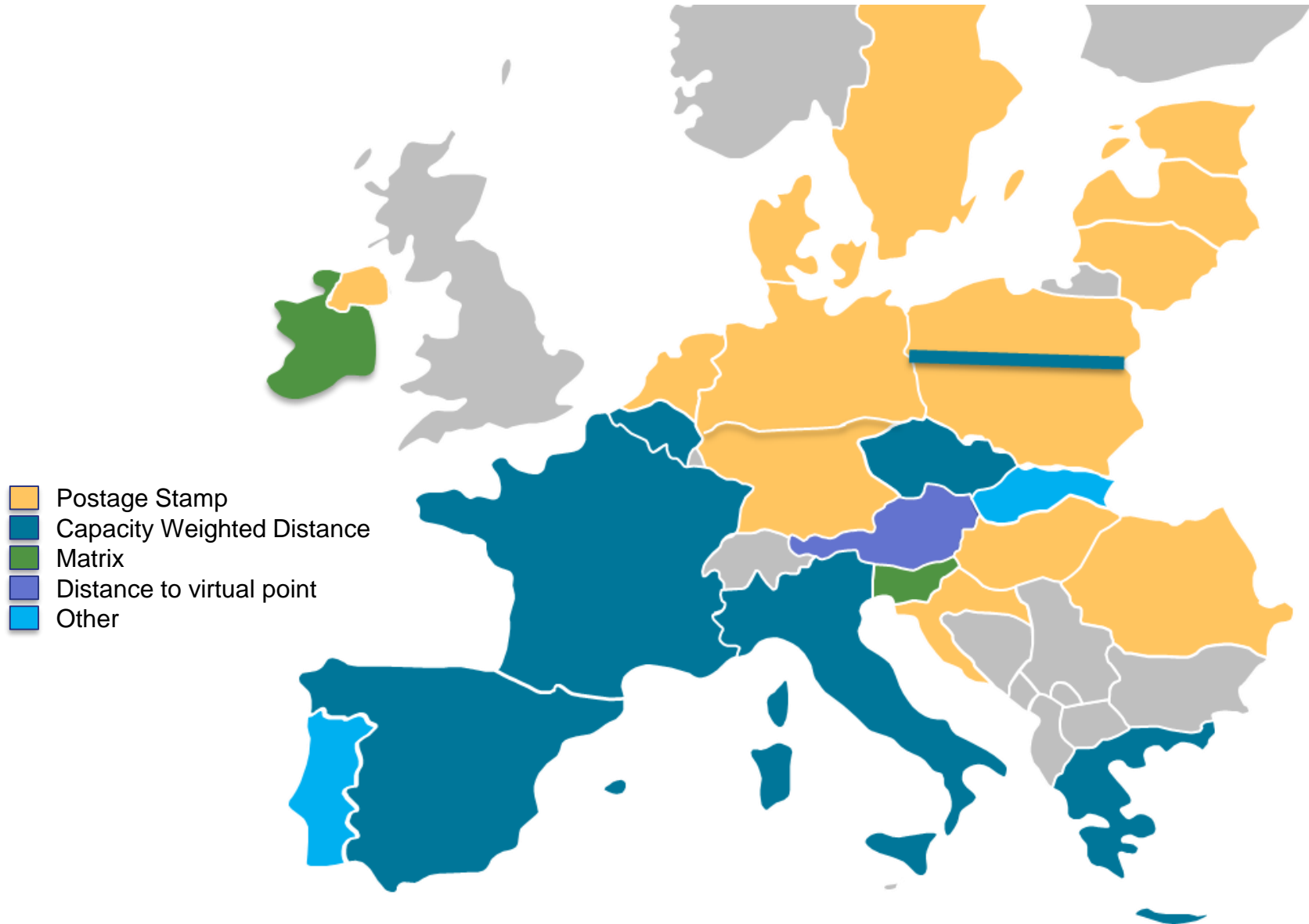
TAR final consultation timeline

	2018												2019												2020		May 2019 deadline	ACER Analysis
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb		
NL			12 Mar	-	25 May							10 Dec																✓
SE					30 Apr - 30 Jul							13 Dec																✓
RO				1 May					14 Sept						15 Mar													✓
NI						30 Jun - 30 Aug						17 Dec																✓
DK							15 Aug - 16 Nov										31 May											✓
PT							17 Aug - 17 Oct								18 Mar													✓
PL							28 Aug - 31 Oct								29 Mar													✓
PL-Yamal							28 Aug - 31 Oct								29 Mar													✓
SI							31 Aug - 31 Oct								29 Mar													✓
IUK							4 Oct - 3 Nov								28 Mar													✓
BE							8 Oct - 7 Dec										7 May											✓
IT							16 Oct - 17 Dec								28 Mar													✓
DE							17 Oct - 17 Dec								29 Mar										TBC	TBC		✓
CZ							1 Oct - 31 Dec										27 May											✓
EL							10 Oct - 31 Jan										31 May											✓
HU							31 Oct - 15 Jan																					✓
SK							6 Nov - 6 Jan																					✓
IE							11 Dec - 11 Feb																					✓
HR							18 Dec - 18 Feb										23 May											✓
AT														31 Jan - 31 Mar													8 Nov - 8 Jan	
BBL															25 Feb - 25 Mar			3 Jun										✓
LT															5 Mar - 6 May									10-Oct				✓
EE																	27 May - 26 Jul							30-Sep				✓
FR		IC																						23 Jul - 5 Oct				✓
ES		TSO																						31 Jul - 30 Sept				✓
LV		NRA																						30 Aug - 9 Oct				✓
BG																									TBC			
GB																									TBC			
FI															Derogated												2020	

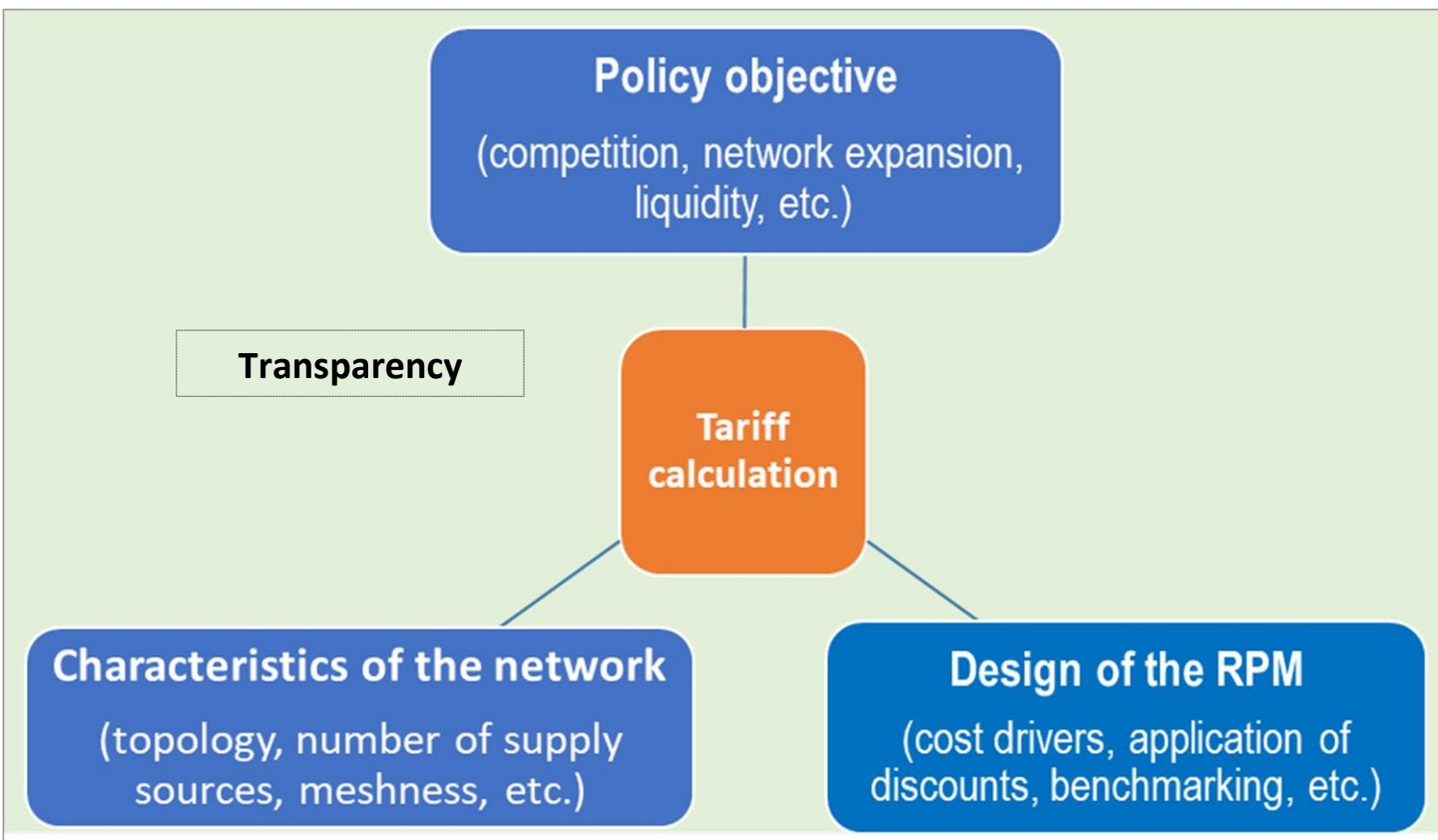
Consultation information available at ACER's website [link](#)

Deadline for publishing the NRA motivated decision

RPMs chosen across EU



Note: The map represents the RPMs proposed in the final consultations (not necessarily those in the NRA motivated decisions).



- The impact of these choices should be assessed against the *Article 7 (of NC TAR)* principles.
- **Clarity on the choices made was missing in many consultations.**

- In general, the Agency missed:
 - » **A justification of the choice of cost drivers.**
 - » A clear explanation of the characteristics of the network.
 - » These elements reduced the usefulness of the comparison tools of the NC TAR (cost allocation assessment, comparison with CWD, etc.)
- The CAA and the comparison with the CWD was often not well adapted to assess the appropriateness of the RPMs:
- In the absence of such information, RPMs could only be partially assessed.

- **Trade-off between transparency and cost-reflectivity:**
 - » Postage stamp methodologies provided greater transparency, but simplified the attribution of costs.
 - » Simplified tariff models insufficient to calculate & forecast tariffs for complex methodologies.
- **Additional information** from NRAs/TSOs to assess the consultations.
 - » Cooperation with ACER and NRAs was generally positive.
 - » Information was not sufficient or was not made available in time upon request (BE, EE).
 - » The Agency suggested in some cases to extend the consultation and/or to publish additional information (DK, EL, FR, PL, RO).
- **Best practices:**
 - » Clear consultation and well managed process: NL.
 - » Transparency on long term capacity bookings and revenue: HR.
 - » Constructive interactions with the Agency: DK, IT.
- **Overall**, the information released did not match the information needed to fully understand the methodologies.

- The Agency noticed that in several consultations specific services were excluded from the scope of the NC TAR.
- The scope of application in the NC TAR shall be based on the definition of '**access to networks**', which requires a good understanding of the **impact services have on network access**
- The Agency interpreted this definition in a broad manner to include services that are provided on the occasion of accessing natural gas transmission networks or in connection with such access.
- All services '*related to access to network*' should fall under the NC TAR and should be considered as transmission or non-transmission services.

- **Regional networks.** Parts of a transmission network purely dedicated to supply domestic consumers can be one of the most important factors leading to cross-subsidisation between cross-system and intra-system.
- Difficult to solve, because different implementations of the definition of transmission/distribution exist:
 - » Multiple TSOs have distribution assets and considered those to be part of the transmission network, **but**
 - » the application of a single RPM leads to cross-subsidisation.
- **The Agency's guidance:**
 - » All transmission assets should be allocated using one single RPM.
 - » If the RPM cannot properly allocate the costs of the regional branches, these assets should be categorised as distribution.

- TSOs tariffs include charges that are not related to the 'access to gas transmission networks', including:
 - » LNG costs;
 - » Storage costs;
 - » Levies.
- The Agency could not analyse these aspects as they were **not clearly reported**.
- These charges can potentially lead to:
 - » Cross-subsidisation of storage/LNG and transmission.
 - » Distortion of competition between storage and LNG operators.
 - » Allocation of costs associated with domestic users to IPs.
- **The Agency's guidance:** Follow closely Article 41(1)(f) of the Gas Directive (*'no cross-subsidies between transmission, distribution, storage, LNG and supply activities'*).

3. ACER implementation monitoring report on TAR NC

- Legal obligation following Art. 36(5) of the NC TAR:
 - » *Within three years as from the entry into force of this Regulation, the Agency shall publish a report on the application of reference price methodologies in Member States.*
- Publication by 6 April 2020.

- The Report will include a compilation of the circumstances and the policy goals that have determined the choice of methodologies.
- Specific circumstances across the EU
 - Networks with few supply sources
 - Points in competition (e.g. benchmarking)
 - Volume risk
 - Impact on downstream markets
 - Etc.
- Policy goals
 - Promotion of competition
 - Flat tariffs for domestic customers
 - Network expansion
 - Etc.

- The Report will include an assessment of the main issues still requiring further discussion:
 - » Scope of the NC TAR: access to networks
 - » Regional networks
 - » Cross subsidisation transmission – storage / LNG / levies
 - » Market mergers
 - » Reconciliation of the regulatory account
 - » Historical under-recoveries
 - » Transparency on allowed/target revenue
 - » Etc.

Country sheet: Slovakia

This document is a template for NRAs to complete the country sheets that will be part of the ACER Report on the Implementation of the RPMs across MSs. The information provided by NRAs will be reviewed by ACER and modified where relevant. This information will help the ACER team assessing the NRA motivated decisions. The resulting country sheets will be published as part of the final Report. NRAs are kindly requested to fill in the sections in yellow and submit back the document to ACER by 15 November.

Please send the document to:

Miguel.martinez@acer.europa.eu

Francois.LEVEILLE@acer.europa.eu

Zivile.JASELSKYTE@acer.europa.eu

● Annexed to the Report: Country sheets

1.1 NRA motivated decision

To be completed by NRAs: Information summarising the tariff methodology

- (1) Slovak regulatory office for network industries – (hereinafter referred to as “ÚRSO”) has set the gas transmission tariffs following the motivated decision¹ published on 29.5.2019 for the following period:
 - regulatory period commencing from 2022. Duration of the upcoming regulatory period is unknown at the moment (current regulatory period lasts 5 years).
- (2) ÚRSO sets tariffs for the eustream, a.s. (hereinafter referred to as “eustream” or “TSO”) operating in Slovakia.
- (3) **IF relevant (otherwise delete point):** ~~The NRA applies an inter-TSO compensation mechanism (ITC).~~
- (4) The target revenue for the 1st tariff period of upcoming regulatory period from 1.1.2022 to 31.12.2022 is 768.1 m€ (**Provide information per TSO**).
- (5) ÚRSO applies in decision postage stamp RPM. The methodology is applied to TSO eustream.
- (6) The following adjustments are applied to the RPM:
 - Benchmarking (for the reason of competitive environment in the central European region – CZ, HU, PL, DE, AT, IT)
- (7) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA is 0.3%. The cost drivers used for the calculation are forecasted-contracted capacity. **IF > 10% (otherwise delete point):**
- (8) The applied RPM results in the following ratios:
 - Capacity - commodity split: 71.9% - 28.1 %
 - Transmission - non-transmission: 100% - 0 %

4) Progress update on the Agency Implementation Monitoring Report of the BAL NC (2020)

● Scope

- » The Agency's report in 2020 will focus on countries which had opted for interim measures (IMs)
- » Check of the merit order (for all countries)

● Timeline (tentative)

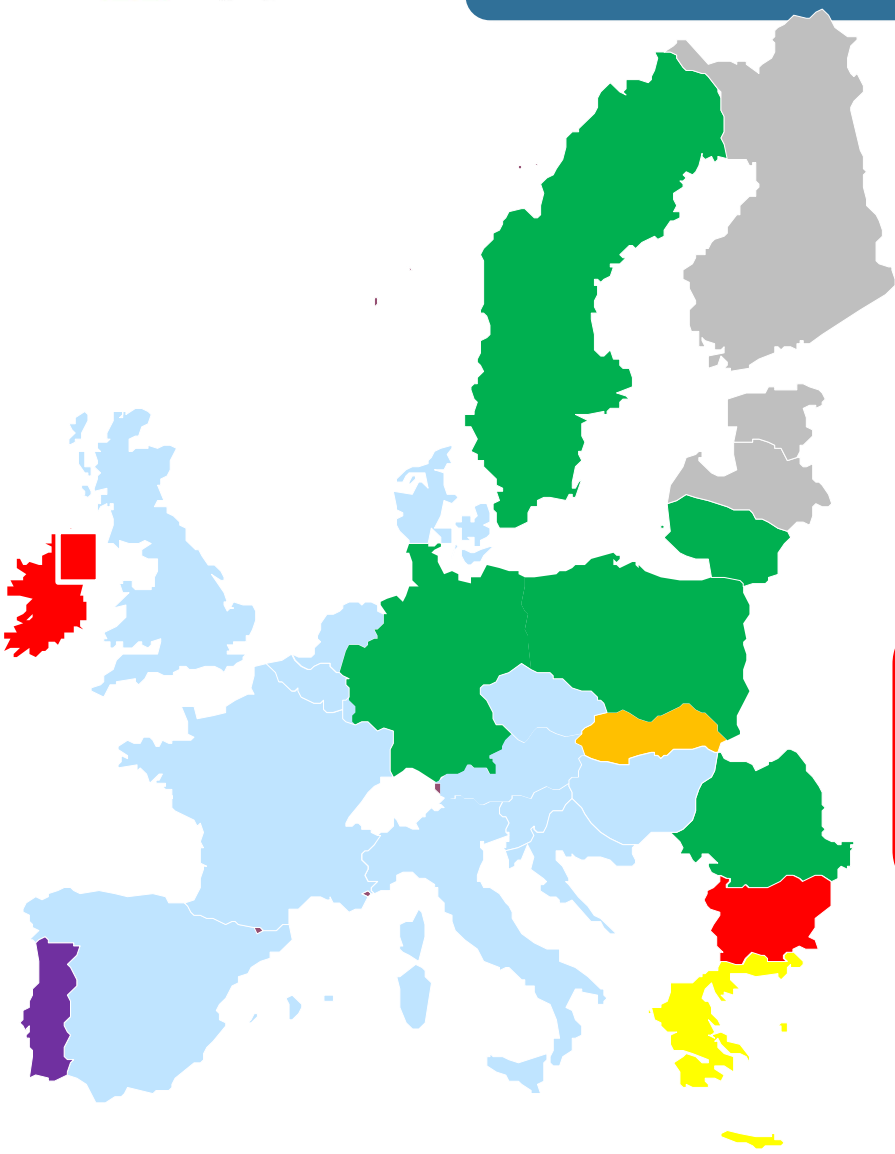
- » June - September 2019 → NRAs replied to Agency's survey (email)
- » October - November 2019 → bilateral calls with NRAs, NRAs send updated country assessment sheets (CASs)
- » December 2019 – January 2020 → fine tuning understanding of national systems
- » January – February 2020 → drafting phase
- » March 2020 → publication

● Preliminary structure of the Report

- » Executive summary
- » Introduction
- » Overview on interim measures (IMs): kept or terminated and how?
- » Specific balancing zones assessment
 - All IMs terminated (DE, LT, PL, RO, SE)
 - Only balancing platform (BP) and interim daily imbalance charge kept
 - charge related to the balancing platform (EL)
 - charge not related only to the BP (SK)
 - Also other interim measures kept (BG, IE, NI)
 - Transitory measures non terminated (PT)
 - (formerly) Subject to derogation (LV, EE, FI)
- » Merit order analysis
- » Recommendations and conclusions

Possible section on joint balancing zones / mergers: NRA-drafters welcome!

IMs left after the April 2019 deadline



- Never applied IMs
- IM: terminated on time
- Countries subject to derogation
- IM: balancing platform and related pricing
- IM: balancing platform with administered price
- IM: other measures than balancing platform
- Transitory measures not terminated



Not compliant with NC BAL

Interim measures kept

Other interim measures

Ireland

As of 1 April 2019 new provisions eliminating **tolerances** are in force, with the some exceptions (gas fired power plants, if activated by instruction of the ELE TSO; daily-metered sites up to 10% of exit allocation; Renewable Natural Gas (RNG) entry points up to 25%).

Bulgaria

Alternative to a balancing platform (BP) is currently used (balancing services).

Administered price for imbalances: proxy of a market price, based on the regulated price of the public supplier

UK - Northern Ireland

Balancing services and **interim daily imbalance charge** continued. **Tolerances** still adopted.

A tolerance review is underway which is expected to result in a two-step reduction in tolerances in early 2020 and again in early 2021.

IMs related to balancing platform

Slovakia

Balancing platform to be kept until 15 April 2024.

Interim daily imbalance charge: price derived from CEGH VTP (CEGHIX index), when no price on BP (often)

Balancing services used, because balancing platform illiquid.

Greece

Balancing platform in operation since 1 July 2018, to be phased out in 2020 (when trading platform operational).

Interim daily imbalance charge calculated based on the balancing platform trades.

- Balancing zones that have terminated all interim measures (**DE, LT, PL, RO, SE**)
- IMs terminated timely because of:
 - » Clearly defined interim steps, gradual reduction of tolerances (e.g. 5%-2.5%-0% in PL)
 - » Planned in advance (in DE, booking platform products were eliminated by the end of 2017, permission to use Balancing platform expired on 15 April 2019)
 - » Possibility of merger (SE has merged with DK balancing zone on 1 April 2019)

Further checks ongoing to verify the actual termination of IMs everywhere they had been implemented

- Update of country assessment sheets:
 - » 16 balancing zones assessed*,
 - 12 Interim measures
 - 1 Transitory measures,
 - 3 (previously) derogated
 - » in 14 Member States

* PL and DE have 2 balancing zones each.

Key elements	Coding's	Explanation/discussion
Implementation date	Interim	After the deadlines foreseen in the Code (Article 46(3), Lithuania announced to follow interim regime.
Trade notification enabled	Yes	VTP effectively enables Trade Notifications.
Trade notifications processed within x mins	30	30 minutes at most for processing of a transaction.
IP renominations enabled (choice: renomination flexibility at the broader set of points)	Yes	The renomination cycles have been properly designed and implemented.
Info requirements - system status	Yes	Satisfying specifications from Article 32(1) of the Code: https://www.ambergrid.it/en/services/balancing/rules-of-balancing There are several tabs in a drop menu: https://www.ambergrid.it/en/services/balancing/inbalancing https://www.ambergrid.it/en/services/balancing/pricesofbalancing https://www.ambergrid.it/en/services/balancing/balancing-actions
Info requirements - TSO balancing actions	Yes	The TSO's balancing code, Art. 51, requires TSO's transparency regarding balancing actions. Amber Grid publishes summary ex-post monthly statistics on its website: https://www.ambergrid.it/en/services/balancing/balancing-actions Information publishing method regarding balancing market could be further improved.
Info requirements - network user portfolio	Yes	Satisfying article 32(3) of the Code Network users are provided with a log-in to the Amber Grid website, as foreseen in the TSO's balancing code, paragraph 31: https://www.ambergrid.it/en/transportation-services/balancing/rules-of-balancing
Trading Platform available and used by the TSO	Available	The GET Baltic gas exchange is selected as a TP as defined in the TSOs balancing rules paragraph 14: https://www.getbaltic.com/en/

Merit order adopted in gas year 2018-2019 → changes compared to 2017

^ Supported by actual volumes procured by TSO. In case the theoretical merit order is different that the actual one, the theoretical one is explained in footnote

Platform and products		Cluster 2015									Cluster 2016					Cluster 2019										Formerly derogated MSs			
Trading Platform		AT	BELUX	DE ³	DK	FR	HU	NL	SI	UK-GB	CZ	ES	HR	IT	PT	BG ²	EL	IE	LT	PL	PL_T	RO	SE	SK	UK-NI	LV	EE ¹	FI	
Title	within day	1	1	1	1	1	1	1	1	1	1	1	1	*	1				1	1		1	1			1	1		
	day-ahead			1			1		2		2	2	1	3	*	2			2	2		2					1	2	
Locational	within day			2		2	2		2		3	2	2	*	2														
	day ahead			2			2				4	2	4	*	2														
Temporal	within day			2				2							2														
Trading with adjacent zones				2						3									3*					3**					
Balancing Platform																													
Title																	1								1				
Locational																													
Balancing services				3					3**			3	5*	*	3	2		3**	4**					2	1	2	3		
Options designed nationally: weekly trades														1															

1 Used (the number indicates the ranking) Planned * Not used ** Rarely used Changed compared to 2017

PT: similar merit order as ES in order to use the Mibgas Platform jointly. Until then, weekly trades.

SE: planned merger with the DK balancing zone by April 2019.

1: Planned merit order from January 2020, currently only balancing services are used

2: Planned merit order, currently only balancing services are used

3: The national law has not yet been updated to delete the locational products on the balancing platform, which are by the way no longer used as of 1 Jan 2018 nor allowed by 12 April 2019

- Various IMs are maintained, for different reasons
- When the reasons are structural and not expected to evolve, can the solution should be found in the BAL NC toolkit?
 - » Balancing via neighbouring markets
 - » Create trading platforms, with back-up options (balancing services)
- Other options can be explored, case-by-case:
 - » Possibility to apply targeted regulation
 - » Possibility of market mergers
- From an NRA perspective, it is important to plan implementation steps and periodically check progress and compliance
- From a regulatory design perspective, the 5-year period for terminating IMs might have proved too long, especially for the zones that had structural limitations
- Only as a last resort, amendments to the legislative framework (Decarbonisation Package / BAL NC) could be considered

Thank you for
your attention!