**54th IG Meeting. South Gas Regional Initiative**

20th May 2020 10:30-12:30 (telco)

**Minutes**

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

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

1. [https://www.acer.europa.eu/Events/54th-IG-meeting-of-South-Gas-Regional-Initiative](https://extranet.acer.europa.eu/Events/54th-IG-meeting-of-South-Gas-Regional-Initiative)
2. **1. Opening**

CNMC welcomed all participants to the 54th Implementation Group (IG) and thanked them for their participation.

The minutes of the 53th IG SGRI and the agenda of the 54th IG SGRI meetings were approved.

**2. WP First target: Use of infrastructures in the Region** (for information TSO and NRAs)

**2.1. Follow-up of infrastructures developments (PCIs, TYNDP, GRIP…)** (for information by TSOs)

TSOs informed about the timelines to deliver the 4th PCI list and the TYNDP2020. Regarding the GRIP 2019, despite the exclusion from the PCIs list of all the interconnection projects in the Region. After ACER`s request recalling the legal obligation on GRIP, a concise version of the GRIP 2019 was published. In this regard, TSOs informed that they will continue working jointly on the next GRIP editions and that they plan to work on the potential inclusion/reconfiguration of interconnection projects according to the needs identified by the HLG-SWE and to studies on the inclusion of Energy Transition related projects. NRAs and TSOs kept a discussion on the content of the next GRIPs, in particular, if more justification of projects proposed, e.g. already existing infrastructures’ use, would be convenient. It was agreed to send suggestions to TSO for improving the GRIP.

**TSOs/NRAs will keep informed the IG on the progress of the plans/projects for developing infrastructures and suggestions to improve the GRIPs will be sent to TSOs.**

**2.2. Report on the use of VIP infrastructures October 16- Sept19: progress and work calendar** (for information by NRAs)

TSOs submitted a first draft of the deliverable with data from October 2016 to September 2019 and the draft report was circulated among NRAs. NRAs` comments were discussed in the meeting. Their detailed comments will be sent to TSOs in writing after the meeting. NRAs expressed their appreciation of the report which is a comprehensive and useful transparency exercise. NRAs comments are in line to simplify and give more precise explanations on the use of the VIPs. Since the situation has dramatically changed after the period analyzed in the report, it was agreed to focus as much as possible on technical aspects. It was also agreed to have a reviewed version after comments by June.

**NRAs will send their comments in writing after the meeting. A reviewed version after comments will be sent by TSOs by end of June.**

1. **WP Second target. Market integration**
   1. **Follow-up of gas prices** (for information by NRAs and TSOs)

NRAs and TSOs updated IG on the trends of market prices. Gas prices reached historically low levels all around the world and all market prices have converged to very low levels. Spread prices are under 1 euro/MWh, lower than differences in transmission tariffs at the borders. The increase in LNG production, especially in the USA, together with the lower demand due to COVID19 crisis and the fact that many LT contracts are still linked to oil prices are pressuring prices down. The use of the interconnections is also lower than usual. This situation will probably remain until the end of the year. Gas demand decreased in Spain by around 22% compared to the same period of the last year. CNMC also explained the measures adopted in Spain applying to gas consumers in order to alleviate the economic pressure due to the COVID19 crisis.

**NRAs and TSOs will keep on following the evolution of gas prices in the Region.**

**3.2. Implementation of UIOLI LT mechanism in Portugal** (for information by NRAs/TSOs)

CNMC informed on the status of the implementation of LT UIOLI at VIP Ibérico. The draft proposal on LT UIOLI mechanism was submitted to public consultation from 5th to 26th February. Six stakeholders sent comments to the public consultation. CNMC and ERSE jointly assessed the responses and the evaluation of responses document was released on ERSE and ACER´s website. The mechanism was integrated in the Portuguese regulation and it has been applied by TSOs for the first time as from April 2020.

**LT UIOLI VIP Ibérico was approved and it’s being applied in a coordinated way as from April 2020.**

**3.3. Proposal for the coordinated implementation of the allocation of interruptible services at VIP Ibérico** (for information by TSOs)

This item was postponed for future meetings since the text is under review.

**3.4. ERSE public consultation on rules for trading product on MIBGAS and preconsultation on balancing rules** (for information by ERSE)

ERSE informed that it was not possible to set a single set of rules for trading Spanish and Portuguese products in MIBGAS (with an implicit allocation mechanism) as initially foreseen and consequently a different set of rules will apply at each side of the VIP Ibérico. ERSE is drafting a set of rules for the negotiation of Portuguese products in MIBGAS Platform, based on MIBGAS S.A. proposal, in order to launch a public consultation. The public consultation will also include a consultation on the procedures for the authorization, by the TSO, of market participants to participate in the organized market, through a daily verification mechanism of the market participant’s position. Finally, taking advantage of this consultation, it will be also launched a preconsultation to review the balancing rules in Portugal, where open questions will be posed in order to be able to improve the implementation of the balancing NC in Portugal. These documents are expected to be ready by next week and the public consultation is envisaged by end of May or early June.

**ERSE will keep the IG informed on these ongoing regulatory developments in Portugal.**

1. **WP Third target. Contribution of gases to decarbonisation.** 
   1. **Injection of non-conventional gases** (for information TSOs)

TSOs updated the IG on some injection projects in their area. Terèga presented the targets of the French PPE (*Programmation pluriannuelle de l’énergie*), which set the guidelines for the production and injection of renewable gases. Concretely, the overall objective is to have 7%-10% of 2030 consumption supplied by renewable gases in France. In the case of biomethane is expected to go from 2,1 TWh production and 1,2 TWh injection in 2019 to 24-32 TWh production and 14-22 TWh injection in 2030. Teréga also explained that, in order to send locational signals to gas producers, technical-economic indicators were developed to incentivize the development of the projects where the connection to the network can be done at a minimum cost.

Enagás informed about 1) the potential of biomethane production in Spain, 2) the injection from the two existing injection points (Butarque and Valdemingómez) in the period January 2018-May 2020, and 3) the regulation in place in Spain, where a proposal for revision of gas quality standards for injection of renewable gases is currently ongoing and it is expected to be adopted in the next weeks. Finally, the different issues developed were presented (upgrading, network reinforcements…) to implement the Valdemingómez project, which it is the biggest biomethane injection point in Europe.

**NRAs and TSOs will keep on exchanging information about this issue.**

* 1. **Regulation on biogas and other renewable gases in France and Spain** (for information by CNMC and CRE)

As requested in the last meeting, CRE and CNMC presented the regulatory framework on biogas and other renewable gases adopted in France and in Spain respectively.

Regulation in France relies on three measures:

* The first set of measures relates to biomethane production and includes feed in tariffs and certificates of origin.
* The second set of measures relates to the “right to injection”, adopted in 2019, which aims at helping project promoters to identify the areas on the French territory where the commissioning of biomethane installations can be done at the most efficient investment cost. In order to implement this right, CRE passed a decision defining, among other issues, the rules of establishment of a prescriptive connection zoning according to a technical-economic criteria (investment costs in network reinforcements and connection to the grid compared to the volume of production capacity estimated in the area – the so-called “I/V” criteria), the mapping of the areas eligible for reinforcements. The higher the level of the criteria, the bigger the proportion of the contribution the project holder will be entitled to pay to finance the network reinforcement necessary to connect its biomethane installation to the grid.
* The third measure relates to the injection tariffs, which aim is to reflect the level of operational costs incurred for TSOs due to the commissioning of biomethane installations. For the ATRT7 tariff period, this injection tariff term spans from 0€/MWh to 0,7€/MWh.

Regarding Spain, regulation in place was already explained by TSOs (guarantees of origin and gas quality standards currently under review). CNMC informed that the Spanish Ministry has launched two public consultations (currently open for comments) for the development of roadmaps to boost renewable gases, one for biogas and another for hydrogen. IG members were invited to participate in both public consultations.

* 1. **Regulatory framework applying to hydrogen (unbundling rules)** (for information by NRAs)

With regard to the unbundling rules, the general principle in place is that TSOs should not be involved in commercial activities. Up to date, there are only small-scale hydrogen projects in the Region, which are in line with the regulatory rules in place. Nevertheless, there are grey areas where the regulation is not clear, in particular with regard to H2 grids. Enagás notes that in particular pure H2 grids do not fall under the current Gas Directive. This issue is currently under discussion in the three countries and at EU level.

NRAs informed, as well, about the letter that the EC sent to NRAs asking for information on the hydrogen projects in their countries.

1. **WP Forth target. Other items for discussion**
   1. **Status of Tariff NC implementation in the Region** (for information by NRAs)

CNMC explained that after the public consultation of their methodology, that closed on 30th September, in line with some comments received, the methodology was modified to introduce a discount in the access tariffs from LNG plants to the transmission network. The methodology was sent to the State Council, that considered that the changes introduced justified the need to launch a new public consultation. A second public consultation was launched in 2020 (open for comments until 13th April). The methodology was sent to ACER again. The new ACER´s report was received on 8th May. CNMC had already taken into account most of the remarks and recommendations contained in the ACER`s first report. ACER´s second report confirmed that the methodology after the inclusion of LNG discount is compliant with the TAR NC. ERSE pointed out their disagreement with the calculation of the tariff at VIP Ibérico and its concerns on the impact on the Iberia market integration and on gas costs for Portuguese consumers. ERSE also expressed its availability to work together with Spain on this issue. Enagás pointed out its support to the NRAs working together in a consistent tariff framework in the context of the Iberian market, highlighting that the average distance travelled by gas in Spain exported to Portugal is higher than the average, and showing it concerns by the very different tariff level between LNG terminals in Portugal and in Spain, whose CAPEX and OPEX efficiency is expected to be in line.

1. **Calendar for the next meeting.**

**Next IG meeting:** 15th September 2020 by telco (10:30-12:30 CET).