



SOUTH SOUTH-EAST GAS REGIONAL INITIATIVE WORK PLAN 2011-2014

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1 Introduction

The SSE region of the Gas Regional Initiative comprises Austria, Bulgaria, Czech Republic, Cyprus, Greece, Hungary, Italy, Poland, Romania, Slovakia, Slovenia and is jointly led by AEEG (Italian regulator) and URE (Polish regulator)¹.

On the basis of the decision of the European Council to complete the EU internal market for energy by 2014, the European Commission (EC) requested each regulator, under the coordination of the lead regulator(s), to contribute to the elaboration of a “European Energy Work Plan 2011-2014” for each region and to submit it jointly to the EC (DG ENER) and to ACER. This Work Plan has been submitted by the GRI SSE in September 2011 and, as requested by ACER, has been updated to reflect the latest developments in the Region and the impetus given by the Madrid Forum with regard to the work of the Regional Initiatives. A first update was done in February 2012 to reflect the growing importance of cross-regional work as well as intensification in work areas linked to infrastructure, security of supply and the implementation of the Gas Target Model. An additional update was carried out in March 2013 ahead of the 23rd Madrid Forum with a view to keep track of the progress made by the Region and include new pilot projects. Further modifications to the Work Plan will be done on an ongoing basis to reflect new developments and render progress in the region visible to a broad range of stakeholders.

1.1 Status

The wide geographical scope of the GRI SSE encompasses extremely heterogeneous gas systems characterized by national markets in general considered as presenting low levels of liquidity and competition. In addition, capacity allocation procedures, as well as the gas-day definitions and nomination rules still differ a lot among the IPs in the region.

This is why in the past the work in the GRI SSE has mainly been devoted to enhancing harmonization of national arrangements through an efficient exchange of information on the different rules in place and to highlighting those issues hampering the establishment of proper functioning markets.

¹ Croatia is an observer to GRI SSE and shall become EU MS on 1 July 2013. The Croatian Regulator HERA has frequently been participating in the GRI SSE meetings in order to brief the GRI SSE Stakeholders.

Examples for best practices have been studied and presented during regional meetings in order to allow for a fruitful spreading of the information.

The harmonization process has suffered from a lack of a binding set of rules which would be applicable throughout the region, thus limiting the effectiveness of the different initiatives, especially as some TSOs and national authorities have been hesitant to commit to specific voluntary projects and to amend their current market rules.

Therefore we consider it essential for the regional market to transpose the 2009/73 Directive into national legislation in order to count on stronger competences for the regulators, unbundling schemes to be adopted, harmonized entry-exit tariff systems and the creation of new virtual hubs to concentrate trading volumes. Also, the ongoing process of drafting Framework Guidelines and Network Codes is extremely important to pave the way to a stronger harmonization with special reference to capacity allocation and congestion management, aiming at overcoming the current difficulties encountered by traders when operating in the different markets.

As highlighted by many stakeholders, the full transposition of the third package and related measures should allow:

- entry-exit systems to be put in place in the regional gas systems;
- to abolish the distinction between transit and domestic transmission pipelines (the utilisation of cross border capacity should give firm access to/from the hub);
- to remove regulated/subsidized gas prices and subsidized tariffs;
- storage access on a competitive and non-discriminatory basis.

1.2 Main achievements

In 2009 the GRI SSE introduced a Strategic Advisory Panel to which the EC and Member States' representatives were invited and which was also designed as group responsible for the elaboration of principles for the GRI SSE Work Programme.

The GRI SSE is also successfully coordinating regional investments in new infrastructures (e.g. plans to build an interconnector between Hungary and Slovakia). In some cases it enabled the finalization of Interconnection Point Agreements (IPAs) and Operational Balancing Agreements (OBAs) in parts of the SSE region which allowed for the creation of a new exchange (the new gas exchanges VHP Austria and M-Gas at the PSV Italian hub will in

the future probably attract new gas volumes and thus increase liquidity in the region). The GRI SSE region is monitoring the implementation of OBAs at all IPs in the region and a TSO working group has started an assessment on the harmonisation requirements at all IPs. The draft Network Code on interoperability and data exchanges rules will form the basis of this analysis. In order to fully exploit the potential of the organized market platforms at VHP and PSV, a project promoted by regulators and supported by stakeholders has been developed by the TSOs at the Interconnection Point Tarvisio/Arnoldstein to implement an OBA and coordinate short term (day-ahead) capacity allocation towards a fully bundled capacity product. In addition, the regulators and stakeholders of the region are actively involved in the Projects of Commons Interest (PCI) selection process and participate in the meetings of the regional groups for the identification of PCIs², in the frame of the future Energy Infrastructure Package regulation.

The GRI SSE is also monitoring the implementation of EASEE-gas standards in the SSE region.

2 Prerequisites

The implementation of a fully integrated gas market by 2014 is a target of the Regional Initiatives but it is a goal which can only be reached through shared responsibilities driven by a voluntary process.

In early May 2011 the majority of the countries of the GRI SSE had not fully transposed the 3rd Energy Package into national legislation. Some Member States had successfully introduced an Entry-Exit System but some other provisions of the 3rd package still needed to be transposed. A further informal assessment of the transposition of the 3rd Energy Package will be performed in 2013. Such transposition is indeed essential to lay the foundations for a fruitful cooperation between TSOs and regulators at regional level.

Moreover, according to Article 12 of Regulation (EC) 715/2009, TSOs shall cooperate on a regional level on several aspects including investment plans, enabling coordinated regional

² The identification of PCIs is being carried out through specific regional working groups fit for that purpose. As priority corridors identified by the European Commission do not correspond exactly to the existing composition of ACER regional initiatives, participation in the EIP working groups is restricted to nominated members and is not open to all GRI SSE stakeholders automatically.

infrastructure development with fair cost allocation, the promotion of operational arrangements in order to ensure the optimal management of the network, the promotion of the development of energy exchanges, the coordinated allocation of cross-border capacity through non-discriminatory market-based solutions and the integration of balancing mechanisms. To this end, regional cooperation of TSOs is not a voluntary task but already a legal requirement.

Additionally, the European Commission, ACER and ENTSOG are the competent bodies to speed up market integration on a European level through the full implementation of Framework Guidelines and Network Codes. Nevertheless, the GRI SSE continues its work on developing pilot projects in order to provide inputs to these pan-European codes and to pave the way to their implementation in the region.

Thus, the effectiveness of market integration efforts on a regional level will strongly depend on (i) a timely implementation of the 3rd package, (ii) TSOs-action to fulfil legal requirements on regional cooperation and (iii) a timely development and implementation of Network Codes at EU-level providing for harmonized rules for cross-border network and market integration issues.

3 Energy Work Plan 2011-2014 of the GRI SSE

At the 4th Strategic Advisory Panel and the 10th Stakeholder Group Meeting on 4 and 5 May 2011, regulators presented options for creating functioning wholesale markets in the SSE region and for connecting them closely in order to facilitate hub-to-hub trading. This section sets out the options presented for creating functioning wholesale markets in the SSE region.

The evaluation of possibilities and preconditions for the creation of functioning wholesale markets is part of the Work Plan of the GRI SSE, as detailed in the deliverables below. The need to focus on this area of work within the GRI SSE was underlined at the Stakeholder Group Meeting of 6 December 2011.

3.1 Functioning wholesale markets

In a first step, the conditions shall be created to ensure that every final customer in the SSE region can benefit from a functioning wholesale market.

We consider a wholesale gas market to be well functioning if it is accessible by incumbents

and new entrants on an equal footing and if it allows for liquid trading so as to provide reliable price signals in the forward and spot markets.

According to the MECO-S model, presented by the Florence School of Regulation³ functioning wholesale gas markets should meet the following criteria in order to be successful:

- sufficient presence of wholesalers active in the market who “inject” gas into that market from national production and external sources (e.g. from other markets within the EU or from outside the EU) and who engage in liquid trading among each other and with other market participants, optimally entailing an HHI below 2000, and
- the combined portfolios of those wholesalers should comprise gas from at least three (3) different producers (directly or indirectly); and
- a multitude of final gas customers in that market.

As a basis for further discussion the implementation of the following set of structural conditions is proposed in order to fertilize the later emergence – driven by market forces – of functioning gas wholesale markets:

- organising the market as an entry/exit network with a virtual point, the virtual point being the single place of trading (this pools trading activities and thus adds to liquidity and the relevance of the price signals generated); and
- making sure that the market caters to final customers with a combined annual consumption normally not below 20 bcm (this should ensure that the market is sufficiently attractive for a large number of wholesalers); and
- making sure that the market is linked to at least three entry points originating from substantial and different EU or non-EU gas sources or other functioning markets (or any combination of those). This ensures that the required diversity of gas sources is available so that gas to gas competition is spurred.

Regulators proposed two optional models with reference to the MECO-S model published by the Florence School of Regulation to realize the structural conditions listed above:

³http://www.florence-school.eu/portal/page/portal/FSR_HOME/ENERGY/Publications/Working_Papers/2011/RSCAS_2011_38.pdf

1. Entry/exit zones that comprise a number of transmission and distribution systems in a single balancing zone (“market area model”).
2. Entry/exit zones that comprise a number of transmission systems in a single balancing zone which in turn is closely linked to one or several end user zones with their own balancing systems (“trading region model”).

3.1.1 What are the options for creating functioning wholesale markets in MS of the SSE region?

Member States that do not host a functioning wholesale market yet can utilize the two models for the creation of functioning wholesale markets by either:

- wherever this is possible creating market areas that fulfil the criteria for functioning wholesale markets within the borders of their own country (this may require investments in order to improve interconnection with other European or non-European markets); or
- acting jointly with adjoining Member States in creating trading regions that fulfil the criteria for functioning wholesale markets; or
- acting jointly with adjoining Member States in creating merged market areas that fulfil the criteria for functioning wholesale markets; or
- accessing (based on mutual consent) the market area of a neighbouring country and/or a group of countries that has already succeeded in creating a functioning wholesale market within its own borders.

3.1.2 Stakeholders’ view on an Energy Work Plan 2011-2014 in the South South-East Region:

All stakeholders active in the SSE Region were invited to submit written comments on their expectations and possible contributions to the Work Plan in the Region during the 2nd quarter of 2011. Six TSOs from Austria, the Czech Republic, Slovenia, Slovakia, four companies from different parts of the gas value chain (trading, hub operation, production etc.) and EFET as well as one NRA provided responses to the questions. No comments were received from Bulgaria, Romania and Greece.

The following questions and comments from stakeholders summarize which possibilities to integrate markets towards 2014 are realistic and for which pilot projects commitments are available.

1. Is it realistic having one market area comprising all Member States in the SSE region?

Most market participants reaffirmed their willingness to support the creation of a functioning wholesale market but are concerned by the tight timeframe. Establishing a market fulfilling all prerequisites by 2014 is seen as a tough challenge requiring efforts from all stakeholders. Traders underlined the importance of taking interim steps (harmonising regulatory framework, abolishing distinction between transit and domestic pipelines, setting up VTPs etc.) to remove barriers and bottlenecks and considered GRI the appropriate forum to implement them, in particular, via pilot projects for early implementation of the rules defined by the Network Codes.

From an NRA point of view, having a single market area in the SSE region is not a realistic goal in the very near future but possible in the long term. The main obstacles quoted are differing political views on issues related to gas supply, trading and consumption, insufficient infrastructures and a lack of harmonisation of network codes.

Other stakeholders suggested that a division of the region into smaller units would be advisable and deplored a lack of significant developments towards market integration (internal inconsistency, lack of organizational discipline within RI, wide territorial scope).

2. In which Member State can a functioning wholesale market be established on a national level by 2014?

Traders reported improvements in trading conditions in some countries and areas over the last years: Czech Republic, Austria and mainly Italy are considered to have good chances to develop a functioning wholesale market. Traders suggested that trading wholesale markets do not necessarily need to be “national” in scope and stressed the importance of interconnections between TSO systems and smooth procedures to allow liquid and transparent trading. The new entrant retailers reported that Hungarian wholesale gas market became liquid in 2010.

One TSO finds that only Italy could fulfil the requirements for a functioning wholesale market (due to the 20bcm limit), whereas one other TSO also sees the potentiality for establishing such a market in Czech Republic. The other market participants which answered to the above question do not deem likely that any other country of the region will soon develop a functioning wholesale market by 2014.

3. Alternatively, between which Member States would a closer integration be necessary to achieve a functioning wholesale market on a cross-border level? What will be the impact of the options outlined above on TSOs (eliminating capacity booking on some IPs)?

An NRA quoted five concrete groups of Member States between which closer integration would be necessary and feasible: SK-AT-SI-HU / CZ-SK-PL / IT-SI-AT / GR-BG-RO / CZ-SK-AT-SI-HU⁴. The development of compensation schemes as in the electricity sector (ITC) is seen as the most delicate obstacle on the road to these wholesale markets. For one respondent, the focus should be shifted to interconnections with other bigger national and regional markets such as Germany.

Traders see potential for fast developments in Poland-Czech Republic – Germany and Hungary-Austria-(Slovakia). They underlined the importance of functioning national wholesale markets; closer integration between these markets –despite necessary - cannot be considered an alternative.

One TSO defined the role of transmission system operators as consisting on the upgrade and preparation of national network systems for cross-border capacities but stressed that TSOs should still “maintain the competence over national markets”. The importance of maintaining these national markets should be reflected in a model different from the “trading regions model”, namely, national markets with national virtual trading points should co-exist with a bigger regional market and a regional VTP and be linked to the latter through a “natural gas highway”.

4. Which pilot projects can be started to realize functioning wholesale market on a cross-border level?

TSOs mentioned projects funded under the EEPR as well as capacity platform projects as a potential basis for future pilot projects.

One TSO believes functioning entry-exit systems should be installed first before considering pilot projects. Traders welcomed the approach of using pilot projects and suggested that these should focus on cooperation between neighbouring TSOs and early implement the provisions of future European Network Codes, for example on capacity allocation. Examples

⁴ SK-HU-HR-RO has also been proposed, as many of the steps could be taken integrating Croatia into SSE region before its accession to the EU foreseen on 1 July 2013.

for potential pilot projects according to traders are single booking platforms, enhanced access to flexibility instruments such as storage for balancing (joint gas exchange between PL and CZ), or a harmonisation of nomination procedures and deadlines (adopting EASEE-gas rules, open season for HU owned interconnectors RO and SK).

5. Who shall be involved in the pilot projects?

Traders underlined the importance of NRAs (coordinated by the lead regulators) or possibly ACER being involved in pilot projects to guarantee a high level of neutrality. Cooperation between TSOs is considered crucial and market participants should be consulted on pilot projects. TSOs agreed on the fact that TSOs and NRAs both need to be involved and should take a proactive approach. Other market participants added that governments should be involved in the process to provide the necessary political impetus.

NRAs suggested that the parties involved should vary according to the issue covered by the pilot project, including NRAs, TSOs, MS, ACER and possibly the European Commission.

6. Who shall take the lead in these pilot projects?

According to a number of respondents TSOs should take the lead in the pilot projects. For an NRA, the leading party should be chosen in accordance with the nature of the project, with suggestions ranging from regulators, to ACER and the European Commission. For other market participants, NRAs and energy companies should act jointly.

Traders agreed on the fact that regulators or ACER should take the lead, with an important role for TSOs in the implementation process. The market should be consulted on the main targets, timetable and roadmap. Moreover, political support from Member States is considered crucial (the “Pentalateral forum” is quoted as a positive example).

7. Which of the following action points as part of the existing Work Programme should be maintained or removed?

Most stakeholders agreed on the fact that the listed action points should be prioritized. Traders expressed a particular interest in action points focussed on wholesale market development and communicated their concern about the action point related to the 10YNDP and possible duplications with the work currently ongoing within ENTSOG.

The GRI is, in turn, seen as a potential forum to discuss the 10YNDP by TSOs and other

market participants and almost all action points are supported. Only one TSO suggested removing the topic of “regional solidarity”. Although some action points (i.e. 5 and 6) are already discussed elsewhere according to TSOs, the GRI is seen as an appropriate forum for further debate.

Other market participants agreed on maintaining all action points but added that these points should vary in terms of prioritization.

4 Pilot projects

Capacity allocation, congestion management and infrastructure development are key issues for market integration and increasing competition. At present, a target model is under development for the internal gas market in order to provide guidance to the stakeholders on a common goal to be reached in order to establish a functioning wholesale internal market.

The 20th Gas Regulatory Forum which took place in Madrid on September 26th and 27th 2011, in its conclusions,⁵ invited NRAs together with Member States and stakeholders to elaborate – for example in the framework of regional initiatives - where and how to implement the measures proposed in the Gas Target Model with a view to complete the internal market by 2014. The implementation of entry-exit systems in all Member States as required in the 3rd package is seen as an important first step towards implementation of the Gas Target Model by the Madrid Forum.

The vision is to converge towards this target model in Europe, through progressive implementation of projects and actions within and cross regions by 2014.

Since the above mentioned target model is not entirely defined yet and due to the level of development of the national markets described in the previous chapters, the RCC of the SSE region will take into account the level of transposition of the third energy package as well as the release and implementation of the Framework Guidelines and Network Codes when defining realistic roadmaps to the implementation of the gas target model.

In order to foster market integration and to test some cross border arrangements at selected IPs, some pilot projects have been identified thanks to the consultation of the stakeholders

⁵ Conclusions, 20th meeting of the European Gas Regulatory Forum, Madrid, 26 – 27 September 2011

on which either NRAs and/or TSOs should provide their commitment.

With regard to the content of pilot projects carried out in the GRI regions, the 20th Madrid Forum *“encourages the GRIs to provide greater focus prioritisation of their work and in particular to programs on infrastructure development and on pilot projects testing early implementation of framework guidelines and network codes. Given the resource constraints priority should be given to projects that may have a significant added value and feed into the network development process, the development of joint CAM platforms and the offering on a voluntary basis of bundled products.”* The pilot projects proposed in the present Work Plan follow this impetus by suggesting actions to be taken in the field of capacity allocation, market integration and investments into infrastructures.

To ensure coherency and effectiveness, the focus of these pilot projects should lie within four main areas which have been defined as follows:

- 1) Interoperability
- 2) Capacity allocation and bundled products
- 3) Enabling market integration
- 4) Infrastructure and Investments.

Furthermore, in carrying out the identified activities, the SSE region will put, where this is feasible and adds value to the GRI process, an emphasis to the “cross-regional perspective” of projects under implementation.

By sharing best practices and experiences, the aim of this cross-regional approach is to foster convergence with the work done within the other GRI regions.

4.1 Priority Areas and Pilot Projects

4.1.1 Interoperability

In order to harmonize the technical frameworks inside the GRI SSE and to improve technical and organisational interoperability of systems in the region, the following pilot projects are planned:

Pilot project I – Adoption of common standards

In order to improve system interoperability, all the systems within the GRI SSE should work for the adoption of common units as well as a harmonized definition of the gas day, taking into account possibilities for early FG/NC implementation with regard to interoperability and other areas.

Deliverable and Timetable:

DELIVERABLE I.1 Standard products		
ACTION	RESPONSIBLE	DEADLINE
All the TSOs adopt standards with special reference to gas-day definition, units and OBAs	TSOs	2013/2014

Pilot project II - Sub-regional integration / Harmonization of procedures

On the route from the Slovak border at Velké Kapušany to Germany via the Czech Republic, there is no harmonization or agreement between TSOs regarding units for bookings and allocation, OBAs, ISO norms for measuring / allocating gas or nomination procedures based on a single definition of the gas day. This heterogeneity causes risks and imbalances for shippers which could be managed by better cooperation and harmonization of the units and procedures used. The aim of this project is to harmonize procedures on the route from Velké Kapušany to Germany and back to Slovakia or Austria (Baumgarten).

Deliverables and Timetable:

DELIVERABLE II.1 Standard products		
ACTION	RESPONSIBLE	DEADLINE
Harmonization of TSO's procedures decreasing shippers' risk and imbalances in CZ/SK/DE	ERU, URSO, BNetzA	2013

4.1.2 Capacity allocation and bundled products

Harmonization in the field of capacity services and offer of bundled products are two key elements towards further market integration in the region. A common understanding of what is meant by bundled products (e.g. "single contract hub-to-hub products" or "two or multi-

contract products with central platform for capacity requests and single nomination”) is crucial for the development of coherent platform models in the region.

In this respect, it is worthy to notice that ACER and the European Network of Transmission System Operators for Gas (ENTSOG) have jointly elaborated, in close cooperation with national regulatory authorities (NRAs) and transmission system operators (TSOs), a Roadmap to facilitate and support the early implementation of the Network Code on Capacity Allocation Mechanisms (CAM NC) for gas.

By means of the pilot projects which are part of this roadmap, a large number of TSOs, in cooperation with NRAs in a number of Member States – thereof belonging to the region, Austria, Hungary, Italy, Poland and Romania – have started to implement the provisions of the CAM NC on a voluntary basis (e.g. harmonized auctions and the offer of bundled capacity) until the network code becomes legally binding.

This is the first project-oriented cross-regional Roadmap developed in the gas sector with the aim to contribute to the achievement of the Gas Target Model through an efficient early implementation of the NC provisions. The experience gained from the CAM Roadmap and its successful example of cooperation creates a positive precedent for future work in similar initiatives.

Pilot Project III - Bundled day-ahead capacity allocation mechanism at Austrian – Italian IP

In July 2011 Trans Austria Gasleitung GmbH (TAG) and Snam Rete Gas S.p.A. (SRG) have developed a joint procedure for the coordinated allocation of interruptible capacity at both sides of the Tarvisio-Arnoldstein IP via auctions on TAG system and with a corresponding nomination on SRG system. At the beginning of 2012 the concerned NRAs and TSOs have started to work on the early implementation of the CAM NC for the allocation of day-ahead capacity on the mentioned IP. To this purpose, joint guidelines were drafted by AEEG and E-Control and subsequently submitted to consultation in autumn 2012. The guidelines are intended to provide the required regulatory background to TAG and SRG for the early implementation of the CAM NC provisions concerning the allocation of day-ahead capacity.

The guidelines were approved by E-Control and AEEG on February 28th 2013. Earlier, on 4th December 2012 SRG and TAG had become founding members of PRISMA – European capacity platform, an international (“cross-regional”) project which will enable 19 European

operators active in the transport of gas in 7 countries (Italy, Austria, Germany, France, Belgium, Denmark and the Netherlands) to offer their respective transport capacity through a single common technological platform.

SRG and TAG are going to offer bundled day-ahead capacity products (firm and interruptible) in both directions at the interconnection point in Arnoldstein/Tarvisio through PRISMA as of 1 April 2013 in application of the NRAs joint guidelines.

Deliverables and Timetable:

DELIVERABLE III.1 Bundled capacity allocation at Austria/Italy IP		
ACTION	RESPONSIBLE	DEADLINE
Harmonized calculation of available firm and interruptible capacities	SNAM/TAG	2012 (Completed)
Proposal for a procedure for the coordinated allocation of daily capacity	SNAM/TAG	2012 (Completed)
Agreement on harmonized nomination and re-nomination rules	SNAM/TAG	2012 (Completed)
Definition of a bundled capacity product to be allocated by explicit auctions in order to connect PSV and VHP	SNAM/TAG	1 Q 2013 (Completed)
Beginning of the allocation of daily bundled capacity products (firm and interruptible) according to the CAM NC provisions	SNAM/TAG	1 April 2013
Assessment on the possibility to extend the mechanism for the allocation of bundled capacity to other IPs of the Italian system and to other products	SNAM/AEEG	2013

Pilot Project IV – GATRAC bundled products

In 2012 GATRAC platform was successfully extended by Eustream and Net4Gas to the IP Lanzhot (CZ/SK). Although GATRAC is not participating to the early implementation of the CAM NC, it was the first project to develop a common mechanism for the management of bundled capacity products to the advantage of the other members of the region which could share the knowledge gained in this respect through such project. From 2013 no other actions are planned. The GATRAC partners agreed to focus now on the proposed alternatives inside the CAM Roadmap and share their experiences in there.

Deliverables and Timetable:

DELIVERABLE IV.1 Bundled products		
ACTION	RESPONSIBLE	DEADLINE
Concept for the realization of bundled products at all SSE regional IPs	Net4Gas together with partner TSOs	2012 (Completed)
Implementation of bundled product offers at further SSE regional IPs	Regional TSOs	2012 (Completed)

Pilot project V - Bundled Product and Capacity Platform – HU-RO

The pilot project for the allocation of bundled capacity on the Hungarian-Romanian interconnector is aimed to early implement the CAM NC within the EU. In particular, firm rolling monthly bundled capacity will be offered on the HU-RO interconnector via a Booking Platform according to the CAM NC and on the basis of the FGSZ-Transgaz MoU on cooperation.

Deliverables and Timetable:

DELIVERABLE V.1 Bundled Product and Capacity Platform - Hungary/Romania		
ACTION	RESPONSIBLE	DEADLINE
Allocation of firm rolling monthly bundled capacity on the HU-RO interconnector via the Booking Platform according to the CAM NC.	FGSZ / Transgaz	2013

Pilot Project VI – Day-ahead bundled product at Cieszyn IP (CZ-PL)

Since 2012 a daily product is offered at the Cieszyn IP between the Czech Republic and Poland. The capacity was previously offered on an interruptible basis. The conversion of the interruptible capacity into firm capacity became possible owing to the capability on the part of the Czech operator to periodically maintain higher pressure levels. The amount of the firm day-ahead capacity for the next day is set in a dynamic way based on the flow conditions in both transmission systems, monitored by Net4Gas and Gaz-System SA mutually. Capacity available for next day is published on the TSOs websites.

The new pilot project shall introduce the possibility to bundle day-ahead capacity products at Cieszyn IP.

Deliverables and Timetable:

DELIVERABLE VI.1 Day-ahead bundled product at Cieszyn IP		
ACTION	RESPONSIBLE	DEADLINE
Concept for the realization of the day-ahead bundled product at Cieszyn IP	Net4Gas/Gaz-System SA	2013+
Implementation of the day-ahead bundled product at Cieszyn IP	Net4Gas/Gaz-System SA	2013+

4.1.3 Enabling market integration

In order to promote the integration of European gas markets and the emergence of functioning wholesale markets in the region, actions need to be taken concerning cross-border balancing, especially in the form of cross-regional balancing platforms. The Framework Guidelines on Balancing require TSOs to take actions for facilitating cross-border balancing:

“The network code on gas balancing shall require relevant TSOs to cooperate in order to integrate European gas markets by merging entry and exit zones or create cross-border balancing zones wherever this is technically feasible and economically reasonable or through other means such as market coupling.”⁶

It is equally important to analyse which models for balancing and trading zones (i.e. cross-regional market areas, trading regions) are best suited in every case to foster market integration in the GRI SSE region, with a view to implement the Gas Target Model. Three pilot projects, one concerning a cross-regional balancing platform and two others concerning an evaluation on the future market architecture will be carried out.

6

http://www.acer.europa.eu/portal/page/portal/ACER_HOME/Public_Docs/Acts%20of%20the%20Agency/Framework%20Guideline/Framework%20Guidelines%20on%20Gas%20Balancing%20in%20Tr/FG%20Gas%20Balancing_final_public.pdf

Pilot Project VII: Cross-border Regional Balancing Platform

In the framework of this pilot project, CEGH offered to work on establishing a cross-border regional Balancing Platform to create more liquidity for all market participants via offering balancing possibilities for adjacent TSOs.

This pilot project can be integrated in the pilot project VIII addressing regional Gas Target Model implementation.

Deliverables and Timetable:

DELIVERABLE VII.1 Cross Regional Balancing Platform		
ACTION	RESPONSIBLE	DEADLINE
Implementation of a cross-border regional Balancing Platform	CEGH	2013

Pilot project VIII – Structure of future regional balancing and trading zones in the SSE region & implementation of the Gas Target Model

The planned structure of future regional balancing and trading zones is an essential background for efficient and anticipatory network development planning.

Prior consultation has revealed a heterogeneous stakeholders' view on which countries could become functioning wholesale markets by 2014 hinting at the need for further analysis.

The GRI SSE will therefore evaluate the legal and technical prerequisites and resulting costs and benefits of implementing national market areas, cross-border market areas, cross-border trading regions or market coupling (including the analysis of potential combinations to realise multilateral market areas / trading regions or market coupling).

This analysis will be done in a first step through two studies:

- A “macro-level” study on possibilities for cross-border market integration in Europe focussing on an analysis of macroeconomic/welfare benefits of market integration and evaluating more closely 2 case regions, where at least one concerns the SSE region (AT-SK-CZ and AT-IT).
- A case study on the identification of possible implementation steps of the measures proposed in the Gas Target Model in the GRI SSE region from an institutional and practical perspective.

Following the aforementioned analysis, taking into account the existing network, load and supply structures, the development of conceptual alternatives and a decision on the model for future regional balancing zones, it will be possible to plan and implement accordingly the project at stake.

Deliverables and Timetable:

DELIVERABLE VIII.1 Structure of future balancing zones		
ACTION	RESPONSIBLE	DEADLINE
Analysis of macroeconomic benefits linked to implementing different models for balancing and trading zones (market areas/trading regions/market coupling)	NRAs	2012 (Completed) ⁷
Case study on institutional and practical steps to implement the provisions of the GTM in the region	NRAs and TSOs	2012 (first part completed) ⁷
Definition of the model for future regional balancing and trading zones	SG	2013
Planning and launch of implementation	SG	2014+

In addition, an analysis is being conducted evaluating the possibilities of gas market integration within the Visegrad Region (V4 - Poland, Czech Republic, Slovakia and Hungary). The analysis will most probably lead to the elaboration by the V4 Ministries responsible for energy of a *Road Map towards the common regional V4 gas market*. As soon as political agreement on the Roadmap is achieved at the V4 forum, the implementation phase should be carried out within the GRI SSE region ensuring consistency with other projects in the region.

Deliverables and Timetable:

DELIVERABLE VIII.2 Analysis of gas market integration in the V4 region		
ACTION	RESPONSIBLE	DEADLINE
Road Map towards the common regional V4 gas market	V4 MS, NRAs, TSOs	2013
Planning and launch of implementation	SG	2014+

⁷ This document is available at: http://www.acer.europa.eu/Gas/Regional_%20Initiatives/South_South-East_GRI/Pages/GRI-SSE-studies.aspx

4.1.4 Infrastructure

The developments regarding future market architecture in the countries of the SSE region will need to be taken into account when planning investments in interconnections, transmission capacities and so on.

In addition, with the process of establishing criteria for the selection of PCI within the Commission's proposal on the Energy Infrastructure now being launched by the European Commission, the GRI SSE will aim at being actively involved in the run-up to the decision on the PCI. Promoting the active involvement of stakeholders, project promoters, NRAs and Member States in the work with the European Commission was a goal for 2012 to be pursued also in 2013.

Pilot Project IX - Interconnections, available transmission capacity and investments

Investment decisions today are based on the background of the current market architecture, namely, national or sub-national entry-exit systems in the SSE region. It is therefore necessary to check concrete investment decisions against the future market architecture taking into account all the available options (regional market areas and/or trading zones).

Each time a new interconnection project is proposed in the regional framework a specific monitoring activity will be performed by the RCC in order to follow the adopted procedures and discuss them together with the regional stakeholders.

Furthermore, involvement of stakeholders and market users is crucial with regard to the regional 10 year network development plans (GRIPs) that cover the geographical scope of the region (GRIP North-South CEE and GRIP Southern Corridor) also to ensure consistency with national investment plans.

Deliverables and Timetable:

DELIVERABLE IX.1 Interconnections and available transmission capacity		
ACTION	RESPONSIBLE	DEADLINE
Check investment plans against the background of future market architecture scenarios	TSOs coordinated by GRIP Lead TSOs	Ongoing
Consultation of the Regional 10YNDP	TSOs with active stakeholder involvement	2012 (Completed) Next deadline 2014

DELIVERABLE IX.2 Interconnections and available transmission capacity		
ACTION	RESPONSIBLE	DEADLINE
Ensure GRI SSE involvement on all levels in the process of identifying PCI in the framework of the EIP	Lead NRAs with active involvement of all other parties of the GRI SSE	2013

4.1.5 Security of Supply

Having been heavily impacted by the 2009 gas crisis, stakeholders and Member States in the GRI SSE region are highly sensitive to the issue of security of supply. An exchange of views on best practices linked to the SoS regulation has already been organised at the Stakeholder Group Meeting of 6 December 2011 and this important topic was added to the Work Plan as of early 2012.

Pilot Project X- Security of Supply

Member States and NRAs, where they are in charge, could use the GRI SSE as a forum to exchange experiences with risk assessments, preventive action plans and possibly also the implementation of other obligations stemming from the SoS regulation such as the implementation of reverse flow mechanisms. Preventive action plans should be consulted within the region, at least with neighbouring states.

Deliverables and Timetable:

DELIVERABLE X.1 Security of Supply		
ACTION	RESPONSIBLE	DEADLINE
Exchange best practice and consult SoS preventive action plans within the GRI SSE	Member States and NRAs	Ongoing

4.1.6 Transparency

Transparency is a critical element in ensuring an effective functioning internal European market. Gas Regulation No 715/2009, effective from 3rd March 2011, includes a number of enhanced Transparency requirements beyond the 2005 Gas Regulation No 1775/2005. These requirements can be found under Article 18 *“Transparency requirements concerning TSOs”* and under amended Chapter 3 of Annex 1 *“Definition of the technical information*

necessary for network users to gain effective access to the system, the definition of all relevant points and the time schedule according to which information should be published”.

In August 2012 ACER carried out a consultation involving also NRAs and TSOs of the SSE Region aimed to oversee TSOs compliance with their transparency obligations under Regulation 715/2009. The outcome of this survey was presented at the occasion of the 22nd Madrid Forum in October 2012.

Pilot Project XI- Transparency

A monitoring exercise was carried out by ACER to check TSOs’ compliance with their transparency requirements.

Deliverables and Timetable:

DELIVERABLE XI.1 Transparency		
ACTION	RESPONSIBLE	DEADLINE
Survey NRA activities with regard to monitoring of transparency requirements	NRAs	2012 (Completed)

5 Cross-regional dimension of GRI SSE priorities

The Regional Initiatives have been set up as an interim step towards the creation of a well-functioning Internal Energy Market by 2014. Starting from 2012, the GRI SSE region will aim at strongly cooperating with the other GRI regions to identify potential cross regional priorities and pilot projects which can be implemented on a cross-regional basis or shared across regions with a view to experiment common possible solutions and exchange best practices.

More precisely, the main areas that will be further explored in prospect of potential cross-border cooperation are:

- 1) Security of supply:** GRI SSE could provide the other regions with its experience in the implementation of Regulation 994/2010;
- 2) Capacity Allocation:** GATRAC is bringing together countries from two different GRI regions (NW and SSE). In the context of the early implementation of the CAM NC, PRISMA, which was launched in 2013, involves seven countries from respectively the GRI SSE (Austria and Italy) and NW region (Belgium, Denmark, France, Germany and the Netherlands). Also Polish and German TSOs are in the process of

implementing a pilot project for providing bundled capacity at the Polish-German IP at Lasów via PRISMA. Moreover, BOG, as operator of the WAG on the Austrian side, in cooperation with Open Grid Europe and GRTgaz Deutschland as operators of MEGAL on the German side, are planning to use PRISMA in order to sell capacity products in a bundled auction at Oberkappel IP (NCG/CEGH interface) as of April 2013 with a view to early implement the CAM NC. Finally, AEEG opened the process to set up the regulatory framework which will enable the application to the Passo Gries IP of the same rules as those applicable to the Tarvisio IP for the allocation of day-ahead capacity products.

- 3) Transparency:** Work has been carried out in all GRI regions to monitor how TSOs comply with the provisions of the 3rd Package Gas Transparency Requirements. The outcome and methods used for this monitoring exercise can be shared across regions to complement the NRA's obligation to monitor the compliance with transparency requirements on a national level.
- 4) Balancing:** The experience the GRI SSE region will gain once the cross-border regional balancing platform will be fully operational at the Central European Gas Hub can be shared with other regions.
- 5) Gas Target Model implementation:** Studies are currently being carried out in the GRI SSE region and beyond to investigate the macroeconomic benefits of further market integration as well as the institutional prerequisites for implementing the Gas Target Model in the GRI SSE region. The outcome of these studies and conclusions drawn should be shared across regions to ensure that knowledge and experience are transferred.

6 ANNEX

Meeting Schedule

In order to promote an ongoing exchange between stakeholders and parties involved in the implementation of pilot projects, the following indicative meetings schedule is proposed:

Stakeholder Group Meetings (back-to-back with RCC and ad hoc SAP meetings)	Implementation Group Meetings
29 May 2013, Warsaw	Parties involved in the different implementation groups should agree on the dates of their meetings.
December 2013, Milan	