



Gas Regional Initiative

Progress and challenges

XV Madrid Forum, 6-7 November 2008

- **Regional initiatives, a pragmatic approach**
 - REMs have now 2,5 years of experience
 - Problems on the ground have been indentified
 - Priorities are shared by the REMs
 - Interconnection and capacity
 - Transparency
 - Interoperability

- **GRI as a facilitator**
 - Structures have been created
 - Cooperative spirit between stakeholders to tackle problems
 - A 100% voluntary approach has its limits to resolving all problems
 - The REMs have been successful in resolving the following issues

South-South East REM



Memorandum of Understanding between NRAs

- Memorandum of Understanding (MoU) to set up a Network of SSE Regulators: Concluded on 9 June 2008.
- Signatories: Austria, Bulgaria, Czech Republic, Greece, Italy, Poland, Romania, Slovak Republic, Slovenia.
- Coordination, information and harmonisation
 - ➔ Internal consultation of cross border regulation
 - ➔ Consultations on decisions which cover more than one jurisdiction
 - ➔ Internal consultation of Article 22 exemption decisions eg. Nabucco
 - ➔ Exchange of Best practices in the region
 - ➔ capacity allocation mechanisms
 - ➔ long-term capacity contracts
 - ➔ measures to prevent capacity hoarding
 - ➔ imposition of obligation to network extension
 - ➔ Harmonisation of market rules
 - ➔ to ensure compatibility and facilitate cross-border gas flows and trade
 - ➔ Regional public consultations of all stakeholders
 - ➔ Internet platform “SSE Network”



Closer Cooperation of TSOs

- 9 TSOs in the SSE region signed an MoU to strengthen their cooperation in the region on 22nd Oct 2008 which was announced at the last IG Meeting in Bucharest (22 Oct 2008).
- TSOs agreed to cooperate on:
 - Transparency,
 - Cross border capacities,
 - Harmonisation of standards, and
 - Operational arrangements.
- TSOs will define a work program for 2009 which will be coordinated with the GRI SSE.
- Establishment of working groups on the agreed issues.



Cross-regional cooperation

- **Invitation of NRAs and Stakeholders of other regions to cooperate on cross-regional issues.**
- **BNetzA and German TSOs**
 - Discussion on new German balancing regime - Influences on SSE region
- **Croatian HERA and Croatian Ministry of Economy – Observer**
 - LNG project Krk,...
- **Gazprom Export - Observer**
 - Dominant shipper in the region
 - South Stream project,...

Lessons learnt from the PWC study

- **Compilation of the state of play**
 - **Solid basis for future focus areas in the SSE region**
 - **Input for Strategic Advisory Panel**
 - to achieve greater level of stakeholder involvement and commitment
 - to provide advice and guidance for RCC, e.g. prioritization and refining of key areas of work
1. Congestions are rather contractual than physical.
 2. Request for TSO cooperation.
 3. Request for transparent, market oriented and regional balancing.
 4. Easy and transparent access to storage facilities.
 5. Request for price transparency at hubs.
 6. Transaction costs/market entry barriers.
 7. Transparency requirements for TSOs.
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North-West REM



Priorities and challenges

- **Three priority areas**

- Transparency, access to capacity, investment
- Projects focused on specific issues within the priority areas

- **Challenges**

- Resourcing of projects remains difficult
- Differences in legislation between adjacent countries can prevent trade
 - Confidentiality obligations can when open seasons are coordinated between operators prevent necessary exchange of information for planning (mismatch between countries)
 - Obligation to sell capacity at FCFS basis can prevent new market systems that would free up capacity at interconnection points
- Market integration requires an agreed and common vision:
 - not just rearranging current market principles but really looking at the creation of new rules
- Can stakeholders come together and achieve this given their own interests and priorities?

Main progresses in the three priority areas

- **Transparency**

- Improved transparency at cross border points
 - Transport capacity
 - Gas flows

- **Capacity**

- Day Ahead Pilot project
 - Firm secondary capacity available day ahead on 1 Interconnection Point (BOS), Ellund expected
 - Valuable lessons learned by “doing” rather than “studying”
- TSOs’ commitment to improve service and start with bundled products: first step towards a regional TSO?

- **Investment**

- Coordinated Open Season at Belgium French border teaching valuable lessons
- Website on planned investment and open seasons in the region
- Dialog aimed at improving the investment climate in the region

North West REM

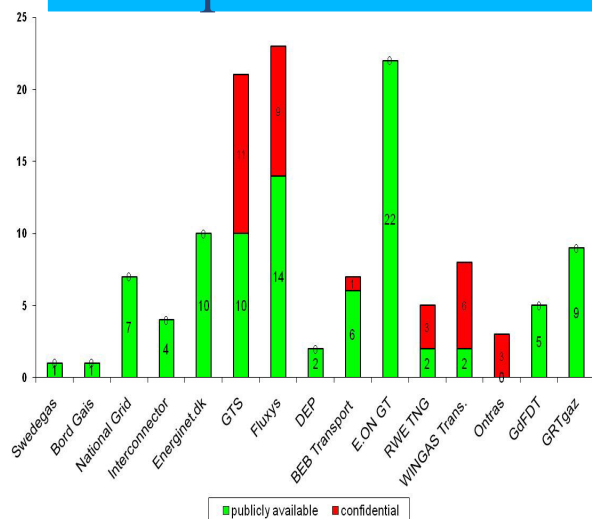


Transparency, progress in action

Full green would mean the goal is achieved

- 133 interconnection points covered (one side)
- 3 minus rule reduced to 23 IPs
- Need for new goals discussed at 14 November SG meeting

Less points confidential



More data released

	E.ON GT	Fluxys	Svensk Kraftnät	RWE TNG	National Grid	Interconnector	BGE	WINGAS Transport	Ontras	Energinet.dk	BEB	DEP	Swedegas	GRGaz	GTS
(C1) Max electrical capacity	in place	in place	in place	in place	in place	in place	in place	in place	in place	in place	in place	in place	later	in place	in place
(C2) Level of interconnector	in place	final	final	in place	in place	later	in place	in place	in place	in place	in place	in place	later	in place	in place
(C3) Daily commercial firm and interruptible capacity	in place	final	later	in place	in place	in place	in place	in place	in place	in place	in place	in place	later	in place	in place
(F1) Daily flow and interconnector	in place	final	later	in place	in place	later	final	in place	in place	in place	in place	in place	later	in place	in place
(F2) Daily prompt allocation information	in place	in place	in place	in place	in place	in place	in place	in place	in place	in place	in place	in place	in place	in place	in place
(F3) Daily aggregate day-ahead nominations	in place	in place	final	later	final	in place	later	final	in place	in place	in place	in place	later	in place	in place
(F4) Historic gas flow information database	in place	final	later	in place	in place	later	in place	in place	in place	in place	in place	in place	later	in place	in place

Table 6 – Individual TSO implementation plan May 2008

South REM



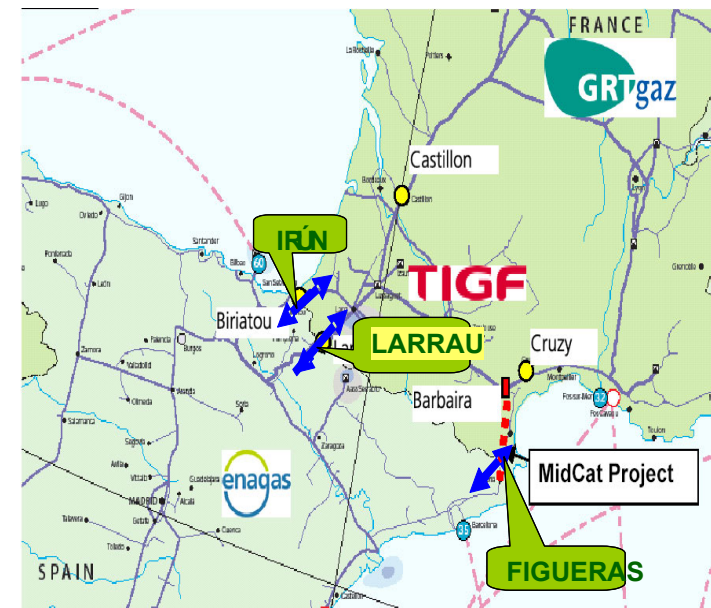
Priority 1: Interconnection capacities

Improve interconnection capacity by promoting new investments at the borders

- **Actions:**
 - Analysis of the current status and future needs (up to 2015) of interconnection capacity between Portugal and Spain, and France and Spain.
- **Results of the actions:**
 - No need for increasing interconnection capacity between Portugal and Spain
 - Need for increasing interconnection capacity between France and Spain
- **Decisions: to develop:**
 - **OSP – (Open Subscription Procedure)** *Allocate the existing and already decided/under construction capacities between F-S*
 - **OS – (Open Season)** *Evaluate market needs **for new interconnection capacities and allocate them.***

Interconnection capacity: OSP at Larrau

- Allocate the existing and already decided/under construction capacities between France and Spain
- **Milestones**
 - 1.Modification of a Royal Decree** to implement the OSP and OS into Spanish Legislation – Dec 07
 - 2.Draft coordinated OSP procedure** by F-S TSOs – Feb 08
 - 3.Public consultation** on TSOs' proposal of OSP procedure – Apr 08
 - 4.Modification of the OSP procedure** to include stakeholders comments – Jul 08
 - 5.Approval of a Ministerial Order and a Resolution** to develop the specific coordinated OSP procedure in Spain – Sep 08
 - 6.Launching OSP** –Oct 08



Interconnection capacity: results of the OSP at Larrau

- **Great interest from the market**
 1. Long term capacity requested largely over the capacity offered
 2. 10 different groups asking for capacity, 2 of them not already established in Spain
 3. All the capacity offered has been allocated
- **CLEAR MARKET SIGNAL to DEVELOP NEW INFRASTRUCTURES, even before launching the OS in EARLY 2009**

South REM



Interconnection capacity: Open Seasons to decide on new capacity

- **2 projects:**
 - **Western axis:** Capacity increase at Larrau and Biriadou by 2013, reaching GRTgaz South. *To be allocated by OS procedure in early 2009*
 - **Eastern axis (Midcat):** Creation of a new interconnection point by 2015, reaching GRTgaz North
- **Public consultation in Nov 08**
to define remaining issues, such as products to be offered, tariffs visibility required and allocation rules



Priority 2. Interoperability

Improve interconnection capacity by promoting new investments at the borders

- **Analysis by Stakeholders** (Network Code group in Spain) **of the main obstacles when accessing pipelines at the Spanish-French borders: practical cases, and Public Consultation on this analysis.** It helped to identify further operational harmonization at the borders
- **The group decided to implement:**
 - ***Operational agreements among TSOs at the borders. Agreements regarding pressure at French-Spanish border were signed.***
 - ***EASEE_gas CBPs on harmonization of units and harmonization of nomination and matching processes:***
 - ✓ **France:** implemented
 - ✓ **Portugal:** units already harmonized, harmonization of nomination and matching processes currently being analyzed
 - ✓ **Spain:** Ministry of Industry currently working to make the Network Code modifications legally binding, in order to implement both CBPs (nowadays are being applied under TSOs' agreements)

Priority 3. Transparency

Improve transparency by promoting publication of information on new interconnection capacities

- **Analysis by Regulators of implementation status of Regulation 1775/2005 regarding transparency. The results were :**
 - Good level of implementation in the three countries. **Small areas of improvement.**
- **The group decided to publish updated information regarding the status of the construction of new infrastructures:**
 - The information about the status of the infrastructures being built to increase interconnection capacity between France and Spain are **published in ERGEG and TSOs' web page.**
 - TSOs **update** the information **every 6 months.** Last update in July 2008

Priority 4. MIBGAS

Integration and development of MIBGAS in the initiative

- Development, by Stakeholders and after public consultation, of a document defining the organization model, working principles and the action plan

ACHIEVEMENTS of the action plan

- **Harmonization of licenses** - ERSE and CNE currently preparing a comparative study on:
 - Legal, technical and economic conditions to perform the trading activity in Spain and Portugal – **Single licence for shippers in both markets**
 - Suppliers' obligations and rights when carrying out their activity
- **Harmonization of tariffs** – ERSE and CNE, at the moment, analyzing the actual access tariffs applied to cross border flows between Portugal and Spain, identifying the main differences and main obstacles to overcome.

Thank You !

Further information is available at

www.energy-regulators.eu