

# ACER



Agency for the Cooperation  
of Energy Regulators

REGIONAL INITIATIVES STATUS REVIEW REPORT 2012

## THE REGIONAL INITIATIVES AND THE ROAD TO 2014





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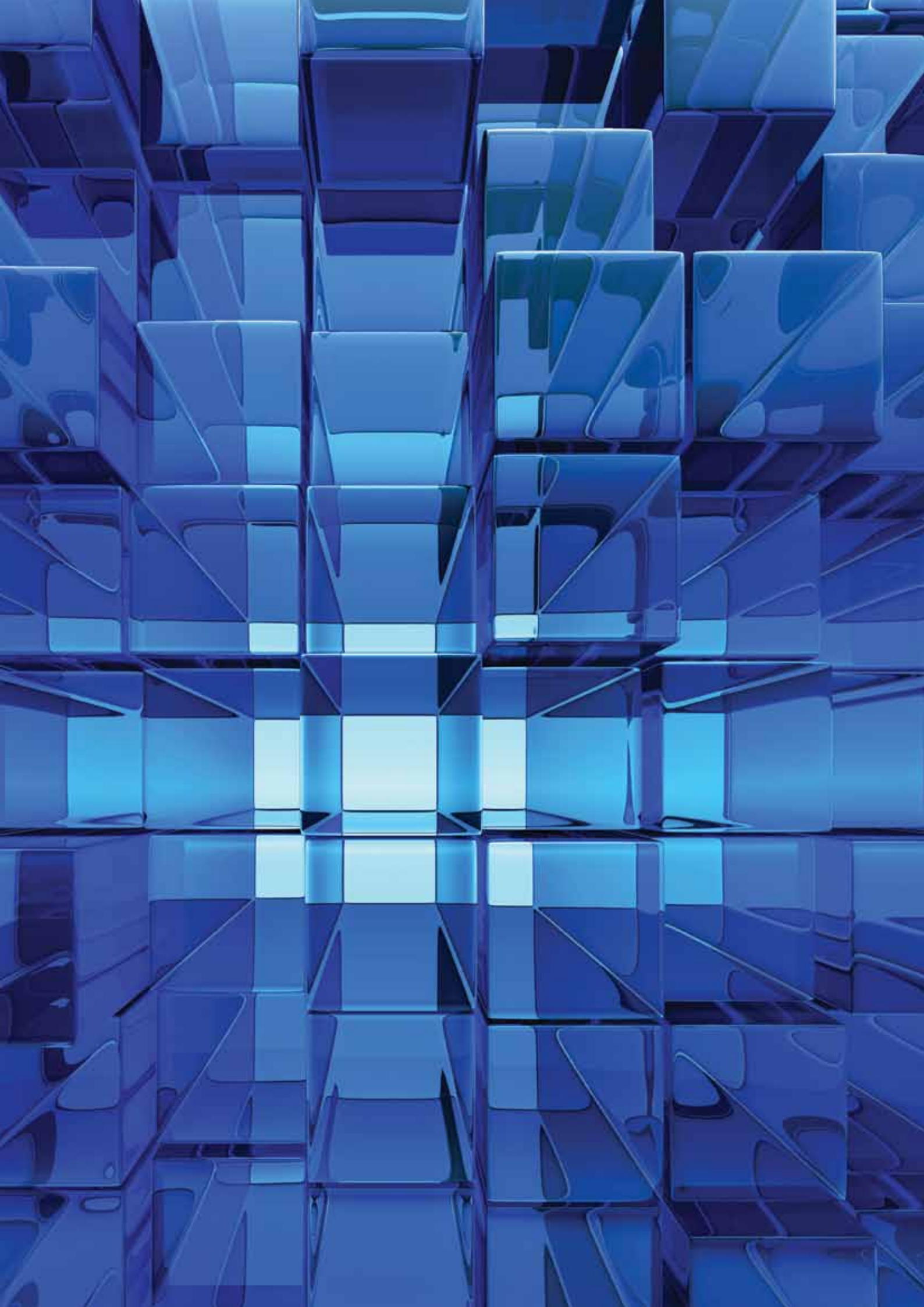
# THE REGIONAL INITIATIVES AND THE ROAD TO 2014



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# FOREWORD



This is the second annual Status Review Report for the Electricity and Gas Regional Initiatives. Since its formal launch in early 2011, the Agency for the Cooperation of Energy Regulators (hereafter, the Agency) has given renewed emphasis to the regional initiatives in an effort to promote the early implementation of some of the most critical rules for the integration of the electricity and gas markets and meet the target of completing the internal energy market by 2014 set by the European Council in February 2011.

Since then, significant progress has been attained in both sectors, even though a few unexpected problems have also emerged. The initial developments were recorded in the Status Review Report for 2011, published in March 2012. Over the last year, the implementation of the Roadmaps for the integration of the internal electricity market has continued, but some delays are occurring in the day-ahead and intra-day timeframes, as well as in the area of capacity calculation. With the engagement of all stakeholders we are however still on track to deliver major benefits from market integration by 2014.

In gas, the development of pilot projects and platforms for the coordinated allocation, through market-based methods, of a common set of bundled capacity products at interconnector points across the European Union has achieved new impetus during the summer and detailed Roadmaps will be finalised in early 2013.

This Status Review Report provides a detailed account of all these developments. It also highlights those areas where more concerted effort is now required to maintain the pace towards the completion of the internal energy market. As for the past year, more frequent updates on the Regional Initiatives' developments will be provided through Quarterly Reports available on the Agency's website<sup>1</sup>. The Agency is fully committed to promote and support the Regional Initiatives process.

This Report does not cover developments in the early implementation of the provisions in the proposed Regulation on guidelines for trans-European energy infrastructure. While such an implementation has an important regional dimension, with the definition of regional corridors and the establishment of Regional Groups, this is a somewhat different structure from the Agency's Regional Initiatives referred to above and from the focus of this Report. Moreover it is still too early to provide even a preliminary assessment of activities in this area.

I would personally like to thank my colleagues, both in the Agency and in National Regulatory Authorities, as well as the many stakeholders who are working hard to make the completion of the internal energy market a tangible reality.



Alberto Pototschnig  
Director

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1 <http://www.acer.europa.eu/Pages/ACER.aspx>





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# EXECUTIVE SUMMARY

The key messages regarding the developments in both the Electricity and Gas Regional Initiatives (RIs) are summarised below, with the first part related to electricity and the second to gas.

## 1. THE ELECTRICITY REGIONAL INITIATIVE

**The European Price Coupling project has experienced delay but the 2014 deadline is still reachable**

The cross-regional roadmap on European Price Coupling foresaw key milestones in 2012. Most of them have been reached, including in particular the signing of a governance agreement between North-West Europe (NWE) Power Exchanges (PXs) and Transmission System Operators (TSOs). However, the realisation of these key achievements took more time than forecasted and the necessary development and implementation periods have been delayed accordingly. Consequently, the launch of the Price Coupling of Regions (PCR)/NWE pilot project has been postponed from the end of 2012 to November 2013.

For 2013, a successful launch of the NWE/PCR pilot project is of utmost importance in the perspective of the 2014 deadline. The enlargement of the NWE/PCR pilot project to the Baltic region before the end of 2013 appears to be an ambitious but realistic objective.

**The Intraday project acknowledged a major delay, but a pilot solution is to be delivered in 2013**

Based on the joint proposal from EuroPEX and ENTSO-E, the implementation of the Intraday European target model follows a two-stage approach: first, the realisation of a pilot project in the NWE region by the end of 2012, and subsequently the Europe-wide completion of the target model by the end of 2014. However, in June 2012 the NWE project experienced however a major delay because of the PXs' disagreement about which intraday platform was to be used. After intervention of the Agency, the PXs have finally developed a call for tender as a way to select the platform which is expected to be implemented by mid-2013. In case of another failure of the PXs' selection process, the Agency will give the lead to ENTSO-E.

In 2013, once the outcome of the call for tender is known, the main challenge will be for TSOs and PXs to provide visibility to market participants on the likely implementation of this common platform at national level.



Regarding the harmonisation of allocation rules, NRAs worked on a list of requirements (a “wish-list”) which the future single European set of rules should comply with. Included in the public consultation on long-term issues launched this summer by the Agency, the “wish-list” received broad support from market players. The confirmed extension of CASC.EU, one of the regional allocation platforms, to the South-West Europe (SWE) region in 2013 will be a major achievement towards a single allocation platform, even though it is one year behind schedule. In the meantime, the responses to the public consultation did not provide more evidence on the way to create a common European market and the uncertainty created by the review of the Markets in Financial Instruments Directive (MiFID) has led to the postponement of the launch of a Financial Transmission Rights (FTRs) pilot project on the German-Danish border.

**Harmonised allocation rules for long-term rights are on track**

The finalisation of the “wish-list” and its implementation is the first challenge for 2013. In parallel to the extension of CASC.EU, an integration path of the current bilaterally managed borders to existing platforms will be drafted. The impact of the MiFID review and of the existence of different forward market organisations in Europe will also be investigated.

Within the Central-West Europe region, progress on the implementation of the flow-based (FB) method has been recorded but the complexity of dealing with this new method has led to delay. Within the Central-East Europe (CEE) region, after signing the joint declaration in March 2012, progress has been made through the elaboration of a roadmap. But in September, divergent views on the loop-flow issue created a deadlock similar to the one before the joint declaration.

**The implementation of the flow-based method has been postponed due to operational difficulties and the loop-flow issue**

The main challenge for CEE stakeholders is to agree on a common way towards the FB market coupling. For the CWE region, the main target is to overcome the technical difficulties to finally launch the tests.

## 2. THE GAS REGIONAL INITIATIVE

### **Early implementation of Capacity Allocation Mechanisms (CAM) and CAM pilot projects**

The Implementation of the CAM Roadmap, in line with ACER's vision for the RIs, will be based on a more project-oriented approach to the current initiatives, crossing the borders of the three gas regions. The CAM Roadmap is composed of several pilot projects and platforms aiming at the early implementation of coordinated, market-based allocation of bundled cross-border capacity products in line with the Network Code (NC) provisions. The elaboration of the Roadmap will be presented for final endorsement to ACER's Board of Regulators and ENTSOG's Board by early 2013.

The principal aim of the CAM Roadmap is to contribute towards the achievement of the Gas Target Model through an efficient early implementation of the NC provisions. The experience gained from the CAM Roadmap is expected to lead to the development of similar Roadmaps for the early implementation of the NCs in the areas of Gas Balancing and of Interoperability.

In addition to the work on the Implementation Roadmap and pilot projects on CAM, the three gas regions have been working extensively during 2012 on a number of regional projects in different areas, in conformity with the schedules in their respective 2011-2014 Work Plans.

**Other contributions  
of the GRI projects to  
the European single  
market**

The North-West region has reached several key milestones in the areas of transparency, the Gas Regional Investment Plan (GRIP), monitoring of the Open Season between France and Luxembourg, the organisation of pre-commitology meetings and exploring the feasibility of implicit allocation.

The South South-East region, apart from working successfully on a number of pilot projects testing the early implementation of the provisions of Network Codes, especially in the areas of capacity allocation and balancing, progressed in the area of GRIPs, where the Southern Corridor and Central Eastern Gas Regional Investment Plans covering the countries of the GRI SSE were presented.

In the South region the main progress is related to capacity allocation (CAM), congestion management procedures (CMP), infrastructure development, monitoring of transparency requirements and regulatory convergence between Spain and Portugal with a focus on tariffs.

The main challenge for 2013 is for the GRI to remain a forum achieving tangible results in specific projects on different areas, such as infrastructure development, security of supply, market integration, hub development and others, in line with the Work Plans 2011-2014. Next to that, the GRI should be used for the exchange of information, sharing of good practices among regulators and operators, and learning from the experience in regional projects.



1.

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# INTRODUCTION





## 1.1 The Regional initiatives: from ERGEG to ACER

The Regional Initiatives (RIs) were set up by the energy national regulatory authorities (NRAs) to speed up the integration of national energy markets in Europe. Launched with the support of the European Commission in spring 2006, the European Regulators Group for Electricity and Gas (ERGEG) established seven electricity<sup>2</sup> and three gas<sup>3</sup> regions as a stage towards the creation of a well-functioning Internal Energy Market (IEM).

The RIs represent a bottom-up approach to the completion of the IEM. They bring together NRAs, the European Commission, Member States, transmission system operators (TSOs), Power Exchanges (PXs), gas and electricity companies and other relevant stakeholders to tackle specific barriers to trade and competition and to improve market integration.

ERGEG's RIs delivered encouraging results both in electricity and gas through the implementation of pilot projects and the exchange of information and good practice. They also helped in developing a common vision – a Target Model – for the IEM.

The third EU legislative energy package (3rd Package)<sup>4</sup>, which entered into force in September 2009, provided a new dimension to regional cooperation through the increased powers and independence of NRAs and the creation of the Agency for the Cooperation of Energy Regulators (ACER, henceforth 'the Agency') which plays a central role in the new formal, 'top-down' regulatory approach represented by the Framework Guidelines (FG)/Network Codes (NC) process. Along with this role, the Agency has received a mandate to promote cooperation at regional level, notably through the coordination of RIs.

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2 [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_ACTIVITIES/EER\\_INITIATIVES/ERI](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_ACTIVITIES/EER_INITIATIVES/ERI)

3 [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_ACTIVITIES/EER\\_INITIATIVES/GRI](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_ACTIVITIES/EER_INITIATIVES/GRI)

4 Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (Text with EEA relevance). Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC. Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003



On 4 February 2011, the European Council gave a strong message and increased legitimacy to the move towards the IEM. In its Conclusions on Energy, the European Council stated that: 'The internal market should be completed by 2014 so as to allow gas and electricity to flow freely'.

On 18 April 2011, the European Commission invited the existing gas and electricity regions to develop a regional action plan and to contribute to the elaboration of a 'European Energy Work Plan 2011/2014'. This European Energy Work Plan had to identify each step required to achieve a Pan-European IEM by 2014 and clarify the expected contribution of each region in this process.

In this context, the Agency started to promote a new approach to RIs in order to reinforce their ability to serve as a complementing 'bottom-up' tool to the newly created 'top-down' FGs/NCs process.

The current geographical scope of ACER's Electricity<sup>5</sup> and Gas<sup>6</sup> Regional Initiatives encompasses almost all EU Member States, as shown in the following figures.

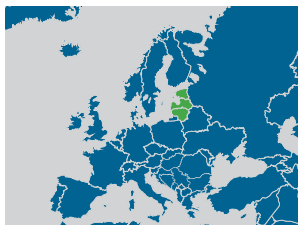
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5 [http://www.acer.europa.eu/Electricity/Regional\\_initiatives/Pages/default.aspx](http://www.acer.europa.eu/Electricity/Regional_initiatives/Pages/default.aspx)

6 [http://www.acer.europa.eu/Gas/Regional\\_%20Intiatives/Pages/default.aspx](http://www.acer.europa.eu/Gas/Regional_%20Intiatives/Pages/default.aspx)

**Figure 1 – ERI Electricity Regions**

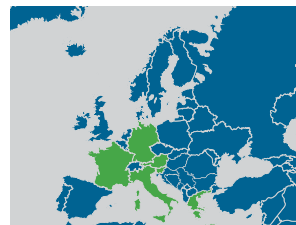
**Baltic Region**



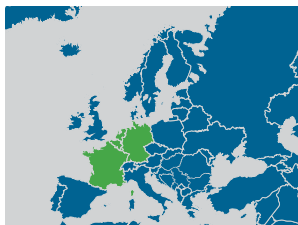
**Central-East Region**



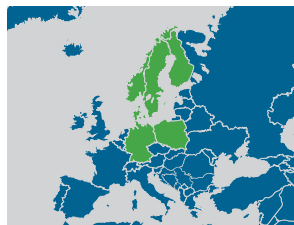
**Central-South Region**



**Central-West Region**



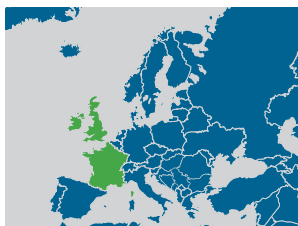
**Northern Region**



**South-West Region**

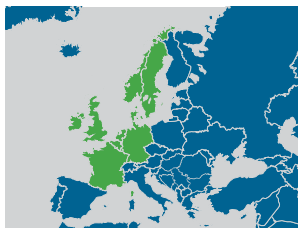


**France, UK and Ireland Region**



**Figure 2: GRI Gas Regions**

**North-West Region**



**South, South-East Region**



**South Region**



## 1.2 Implementing the new vision for regional initiatives

There are several reasons why shortly after its launch ACER began to put significant effort into the RIs.

Firstly, due to the tight time constraints in view of the 2014 goal, the formal FG/NC process will not be sufficient to deliver the market integration target.

Secondly, RIs have the advantage of bringing interaction between market participants to a different level, taking into account the regional dimension.

Thirdly, the very ambitious 2014 deadline requires the full commitment and support of all stakeholders, both at European and regional level. Using the established governance and working arrangements with which stakeholders at regional level are familiar, can generate significant added value. This includes the Regional Coordination Committees (RCC), Implementation Groups (IG) and Stakeholders' Groups (SG).

Finally, the RIs provide opportunities for working on concrete projects acting as test beds for the provisions to be developed by the FG/NC process.

In view of the above, the Agency has rapidly enhanced its role since 2011 in coordinating and promoting a new vision for the RIs, based on the four following principles:

- **A more project-oriented approach** to help focus the limited resources of stakeholders on a few specific and common projects, deemed to be most instrumental for the completion of the IEM;
- **A more pan-European dimension** to ensure the involvement of all Member States and the allocation of resources to achieve the common overarching objective of completing the IEM by 2014;
- **Enhanced stakeholder involvement and engagement** to maintain the strong momentum and confidence throughout the implementation phase;
- **A more adequate governance structure** to improve the decision-making process.

In addition, to improve the visibility of the work undertaken and to maintain the commitment of all parties, the Agency has put significant effort into reporting progress, difficulties and challenges in the implementation process through:

- The publication of detailed Quarterly Reports prepared in close cooperation with NRAs for both gas and for electricity ;
- Dedicated presentations at the Florence and Madrid European Regulatory Fora;
- Finally, in the case of electricity, organising meetings of the ACER Electricity Stakeholders Advisory Group (AESAG).

During 2012, the Agency took account of the positive feedback of this new approach by the electricity and gas market participants. This new vision is helping the RIs to make a stronger contribution to the move from national or regional markets to an integrated IEM. The first steps towards further integration are being achieved through the implementation of the cross-regional roadmaps for electricity and the development of the first Pan-European Roadmap for gas. This Regional Initiatives Status Review Report illustrates in detail the progress achieved during 2012 and what remains to be done.











2.

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## THE ELECTRICITY REGIONAL INITIATIVE

## **2.1 From a common vision to concrete projects**

As mentioned above, a common vision for the completion of the IEM in electricity by 2014 emerged from the work previously done under ERGEG. Thanks to the instruments provided by the 3rd Package and with the support of stakeholders, this common vision has gained credibility and strength with its transposition into the Framework Guidelines on Capacity Allocation and Congestion Management (CACM) for Electricity adopted by the Agency in July 2011. To take advantage of these developments and reach the ambitious 2014 deadline, the Agency has transposed this common vision into four cross-regional roadmaps, each one devoted to a target model, which were endorsed by the Florence Forum in December 2011. The recent adoption of the Framework Guidelines on Electricity Balancing in September 2012 will open an important new area of work and, hopefully, facilitate the emergence of regional pilot projects towards the implementation of the target model for electricity balancing. These target models and the developments of the current projects are detailed in the following section.

## **2.2 Review of progress made to date in the ERI**

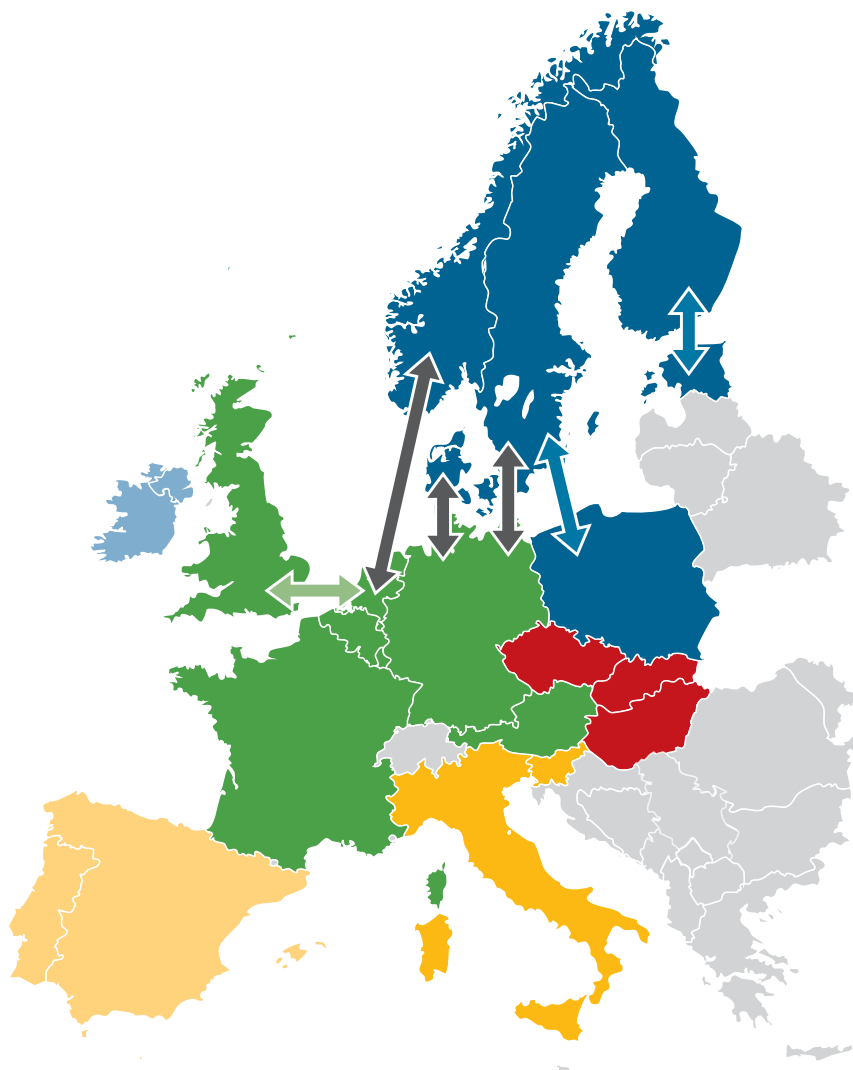
### **2.2.1 The Cross-Regional Roadmap on Day-Ahead Market Coupling**

The target model for the day-ahead timeframe is a European Price Coupling (EPC) model which will simultaneously determine volumes and prices for all price zones in Europe. This solution requires TSOs and PXs to develop common arrangements for each stage of the process, including pre-coupling aspects (such as how much transmission capacity to make available to the market), the coupling solution (the development and implementation of the algorithm) and post-coupling aspects (such as the financial settlement between PXs and between PXs and TSOs).

### Current status of the implementation of day-ahead market coupling solutions in Europe

Different price market coupling solutions have been implemented:

- In the Iberian Peninsula;
- In the CWE region;
- Between CWE and Great Britain through the BritNed cable;
- In the Nordic region and Estonia through Estlink and in the Nordic region and Poland through the SwePol Link;
- Between the Czech Republic, Slovakia and Hungary;
- Between Italy and Slovenia;
- On Ireland north and south;
- A volume coupling solution, Interim Tight Volume Coupling (ITVC), has been implemented between the Nordic area and the CWE region.



↔ ITVC

**Progress to Date** In 2012 significant progress was made towards implementation of the North West Europe<sup>7</sup>/Price Coupling of the Regions<sup>8</sup> (NWE/PCR) Project, which had previously been identified as the pilot project in the Day Ahead timeframe. Although the initial “go-live” date of end 2012 has not been met, the following milestones in particular were reached by the PXs, TSOs and the NRAs.

The PXs involved in the pilot project:

- **Agreed on a data handling system** i.e. the software which enables a data exchange between the European algorithm, Euphemia, and the PXs’ and TSOs’ local systems. On 1 February, the PCR PXs agreed to jointly develop a PCR data handling system named PCR Matcher and Broker (the PMB) and to upgrade the PCS system which is currently running in the CWE region as a backup solution to secure the launch of the NWE/PCR project. Later in the year, the PMB was announced in support of the start of the pilot project.
- **Progressed significantly with the algorithm development.** Following ENTSO-E’s validation of the COSMOS algorithm (see further below), the PXs involved started working on development of a future algorithm to accommodate the PCR PXs specificities and the requirements of the TSOs from the NWE and non-NWE regions. Later in the year, the first release of the new algorithm was delivered and tested as part of the incremental process of implementation. This first version covering the requirements for the NWE and SWE regions showed very satisfactory results. Two additional releases were delivered by the end of the year extending the functional perimeters and remedying any bugs observed. A fourth version is foreseen for fixing any last bug of the previous release.
- **Finalised the PCR cooperation arrangements.** At the beginning of June, the PCR PXs informed the respective NRAs of the finalisation of the PCR cooperation agreement which establishes the main principles of cooperation and the responsibility to be borne by the PCR PXs with respect to PCR Market Coupling and, furthermore, of the PCR co-ownership agreement which sets out the terms and conditions for the transfer of and co-ownership of the matching algorithm. Discussions subsequently took place to incorporate the non-PCR PXs into the PCR process. As the PXs need to adapt to the framework already defined and find a solution to finance their participation in the project, this incorporation will take time.

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7 North West Europe (NWE) comprises the Central-West Europe Region, the Nordic Europe Region and Great Britain.

8 The Price Coupling of Regions (PCR) initiative, supported by EuroPEX, is focused on the delivery of a common European price coupling solution, where this solution can potentially be implemented in a variety of local regulatory/governance settings. Its philosophy is to build on the existing contractual, regulatory and operational solutions, setting the needed harmonisation and governance principles at the European level.

- **Reached an agreement on the shipping arrangements.** In the implementation phase there were questions about shipping arrangements between the CWE region and the Nordic area and between the CWE region and the British market. For the former, the NWE PXs decided that shipping would be organised between the power exchanges' clearing houses (CCP) for the current ITVC area, i.e. the CWE and NE regions. Even though no contract has yet been signed, the current agreement in place in CWE envisages a three-party implementation (i.e. the CCPs of NordPool Spot, APX Endex and EPEX Spot) for connections towards NE. With regard to the CWE-British arrangements, the PXs' clearing houses have agreed on a shipping solution to facilitate clearing and settlement between the two power exchanges operating on the British market, as well as on the two interconnectors. The "GB Hub" solution facilitates co-ordinated market coupling over independently operated interconnectors and allows more than one PX to participate.

The following milestones were achieved by the TSOs involved in the pilot project:

- **ENTSO-E validation of the COSMOS algorithm.** In June 2011, ACER requested an ENTSO-E validation of the EuroPEX selection of the COSMOS algorithm as the starting point for the PCR algorithm. In January 2012, ENTSO-E delivered a positive validation report on the COSMOS algorithm.
- **Pre- and post-coupling arrangements.** Due to the TSOs' extensive experience in capacity calculation and allocation, the majority of the elements required for pre- and post-coupling arrangements had already been developed by the TSOs, either bilaterally or at regional level.
- **Enhanced cooperation between the NWE and non-NWE TSOs.** A dedicated ENTSO-E Monitoring Group ensured that the non-NWE TSOs' requirements were appropriately considered within the NWE/PCR project. This group has recently seen its mandate enhanced to ensure smooth extension of the project to the non-NWE regions.

The achievements arising from the cooperation between the PXs and TSOs include:

- **Signing of the All Party Cooperation Agreement (APCA).** This agreement establishes firstly, the rights and obligations - jointly agreed upon by the relevant TSOs and PXs - regarding their cooperation during the Design and Implementation Phases, in particular in relation to the design, development, project governance and organisation, planning, budget, project cost sharing and project cost recovery. Secondly, the APCA will set out the key principles of the cooperation between the TSOs and PXs with regard to the operation of the NWE Price Coupling during the Operational Phase, e.g. the roles and responsibilities of the operational, governance and decision-making procedures, as well as the procedures governing the remuneration and payment of fees for the NWE Price Coupling services provided by the PXs. This APCA represents a key achievement of the NWE/PCR pilot project and will pave the way for its extension to non-NWE regions.

NWE NRA coordination bore the following results:

- **Definition of a common approval process.** A dedicated Task Force (TF) was created to develop a common approval process to ease the implementation of the NWE Price Coupling and, at a later stage, of European Price Coupling. Among other things, the TF identified all the necessary documents and set up approval timings for each NRA. NWE PXs and TSOs will need to deliver these documents in accordance with the timings given so that the implementation of the NWE/PCR may be completed on time.
- **Finalisation of a comfort letter on cost recovery.** Responding to a request for comfort, the NWE NRAs sent a letter of comfort to the NWE Steering Committee Chair on 22 June, endorsing, among other things, the decision to use COSMOS, the current CWE algorithm, as a starting point for the price coupling algorithm and the cost-sharing principle proposed by the NWE TSOs.



In 2012, the following progress was also observed in the non-NWE countries:

The SWE NRAs, TSOs and PXs expressed their full support to the extension of the NWE market coupling to their region as soon as NWE goes live. On 30 July the SWE TSOs and PXs presented a Cooperation Agreement to specify their region-specific pre- and post-coupling arrangements, to analyse the changes to be made prior to the extension to the PCR pilot project and to prepare for this move. This agreement was signed on 13 November and the TSOs and PXs of the SWE region are already working on the deliverables planned under this Cooperation Agreement.

On 11 September, the CEE region saw the successful start of the coupling of the Czech, Slovak and Hungarian day-ahead markets. The solution implemented uses the infrastructure and systems already developed, such as the COSMOS algorithm which was chosen as the basis for the PCR algorithm.

In the Baltic Region, one of the PCR members (NordPool Spot) extended its activity to Lithuania following an agreement signed on 26 March with the Lithuanian TSO, Litgrid. Trading in this new bidding area started on 18 June. Whereas the Estonian bidding area has already been operated by the same PCR member since 2010, Lithuania will only be part of the NWE/PCR solution when Latvia becomes part of it. On 15 November, further to a preliminary certification of the Latvian TSO as an Independent System Operator, the above PCR member announced the expected launch of a new bidding area in Latvia by 3 June 2013, enabling it to have full coverage of the Baltic Region.

Successful and timely launch of the NWE/PCR pilot project. The main challenge for the NWE/PCR partners will be to meet the new target 'go-live' date, which was recently postponed from December 2012 to November 2013. To reach this goal, the remaining technical issues (testing, shipping arrangements, handling of grid losses, differences in flow calculation) must be solved, as well as contract matters (signing of an APCA for operations along the lines agreed in the previous APCA) defined. Moreover, support from stakeholders for the solution developed would have to be gained and the regulators will have to approve the solution on time. In parallel, to understand better the impact of the handling of grid losses, the NRAs asked for an impact assessment to be delivered by the NWE TSOs. As regards flow calculations, the impact of handling the internal constraints potentially in different ways will also be monitored by the NRAs. Given the importance of this project for the market integration process, the Agency recently invited the project partners to prepare a detailed time schedule envisaging the 'go live' of the NWE/PCR solution in November of 2013 and to report monthly, starting from January 2013, on the progress made against the time schedules laid down.

### **The Main Challenges Ahead**

**Preparing the next steps.** Progress in the non-NWE regions – together with the accommodation of the non-NWE requirements – will be crucial for reaching the 2014 target.

- In the SWE region the on-going work must be supported and coordinated with the NWE developments, in order to allow for an extension as soon as possible.
- In the Baltic region by launching a bidding area in Lithuania last June and with a new one covering Latvia from June 2013 onwards, the Baltic Region will be price coupled with the Nordic Region and will therefore de facto be covered by the scope of the NWE/PCR project.
- In the CEE region the joint declaration from NRAs in March 2012 urges TSOs and PXs to implement Flow-Based Market Coupling (FBMC) in line with the NWE project in 2013. So far, however, the stakeholders have not agreed on a high-level plan to support the implementation of FBMC<sup>9</sup>. Such an agreement on the way forward is of the utmost importance for the CEE region.
- The CSE region has been developing a high-level plan for joining the PCR project by the end of 2014.

## **2.2.2 The Cross-Regional Roadmap on Continuous Intraday Trading**

The overall objective of the Intraday Cross-Regional Roadmap is to implement the Intraday Target Model on all borders in Europe by the end of 2014. The Intraday Cross-Regional Roadmap envisages a phased approach to implementation, starting with implicit continuous trading which will then evolve to include intraday capacity recalculation, capacity pricing and the ability to trade sophisticated products.

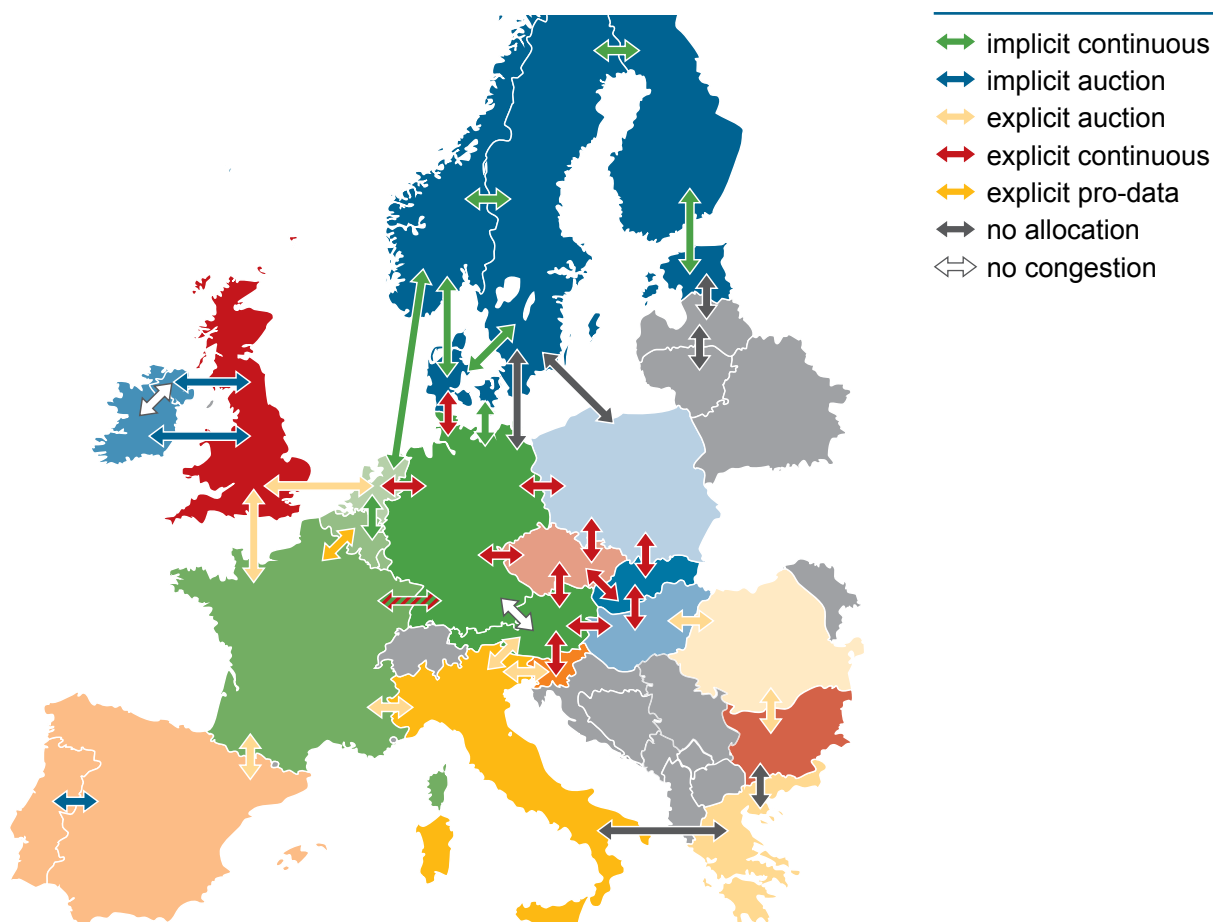
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<sup>9</sup> Further information can be found in the FB section.

## Current status of implementation of intraday capacity allocation methods in Europe

Different types of allocation are currently in operation:

- Implicit continuous trading through the ELBAS platform, within the Nordic market, between the Nordic market and Estonia, the Netherlands and Belgium, the Netherlands and Norway and Germany and Denmark (through the Kontek cable);
- Implicit continuous trading, through the FITS platform and continuous explicit allocation of capacity through the DBS platform between France and Germany;
- Implicit auctions between Spain and Portugal and between the Italian market zones;
- Explicit auctions between France and England, France and Spain, Romania and Hungary, Romania and Bulgaria and on the Northern Italian borders;
- Explicit continuous allocation of capacity on the internal borders of the CEE region through the CEPS Damas Energy platform and between Germany and the Netherlands and Germany and Denmark through the DBS platform;
- Improved pro-rata explicit allocation between France and Belgium;
- No allocation or no congestion on the remaining borders.



**Progress to date** In 2012, the NWE project to implement the European target model experienced significant delays. This project is based on the joint proposal from EuroPEX and ENTSO-E for a two-stage project to implement a common approach to intraday trading in the NWE region by the end of 2012, and the Europe-wide implementation of the target model by the end of 2014. The project stalled in June when power exchanges found themselves unable to agree on which of the existing intraday platforms in the NWE region was to be used as the basis for developing the NWE-wide platform.

On 25 July, the Agency called a meeting of the CEOs of the NWE PXs to assess the different options, their impact in terms of implementation timetable, fulfilment of the TSOs' and market participants' requirements, costs and extendibility to non-NWE regions. Following this meeting, the PXs committed to do their best to come to an agreement on the selection of the system.

On 21 August, six PXs (EPEX Spot, APX-ENDEX, Belpex, Nord Pool Spot, OTE, and OMIE) agreed, with the Agency's support, to launch a tender process for the NWE intraday platform. The PXs report that the selection process should be finalised in the first quarter of 2013. If no agreement is found on the tender, the Agency will support ENTSO-E's managing the selection process.

As a result of this, there is likely to be at least a one year delay for the NWE intraday project, which may jeopardise the European Council's goal of completing the IEM by 2014.

During 2012, intraday capacity allocation has been introduced on a number of borders:

- **The Netherlands-Norway.** On 15 March, Nord Pool Spot, APX-ENDEX, Statnett and TenneT announced the successful implementation of a cross-border continuous intraday solution on the NorNed interconnector. Implementation has enabled market participants to trade between Belgium/Netherlands and the Nordic region including the Baltic region and Germany.
- **Italy with France, Austria, Switzerland and Slovenia.** On 20 June, cooperation between Terna, RTE, APG, SwissGrid and ELES resulted in the launch of two explicit intraday capacity auctions on the French-Italian, Italian-Swiss and the Italian-Slovenian borders. The capacity auctions are hosted by the joint auction office CASC.EU. The intention is to extend these arrangements to the Italian-Austrian border as soon as possible in 2013.
- **United Kingdom-Ireland.** Implicit intraday auctions were introduced in July 2012 in the Single Electricity Market which operates in the Republic of Ireland and Northern Ireland. These allow for the possibility of intraday trading between Great Britain and the SEM market over the Moyle and EirGrid East-West Interconnectors.

- **United Kingdom-Netherlands.** BritNed launched intraday capacity auctions on 29 May 2012. The auctions give traders the possibility to acquire capacity closer to real time and result in more efficient use of the BritNed interconnector.

On the other hand, by the end of 2011, no agreement on the type of allocation to be implemented had been reached for the SwePol cable. Some of the difficulties stemmed from the status of the cable which was a former merchant line. A prerequisite for discussions to restart was a change of ownership structure which took place in September when assets were sold to the relevant TSOs. Several discussions regarding the introduction of intraday allocation on the Baltic Cable have taken place. The inclusion of the Baltic Cable in the NWE project framework has been discussed as a possible option, but certain legal and technical challenges remain to be clarified.

NRAs in the NWE region reached an agreement on whether there should be OTC access to cross-border intraday capacity as an interim measure for all NWE borders except for the French-Belgian border.

The main challenges for 2013 are to:

#### The Main Challenges Ahead

- **Achieve consensus on the platform to be selected through the tender process.** This platform is to be used as the basis for the NWE and Europe-wide implementation of the European target model.
- **Drafting of implementation plans.** Following the choice of the platform, NWE TSOs will have to commit themselves to an implementation plan in close cooperation with the PXs. At the same time, some NRAs are expected to come to an agreement regarding the possibility of granting explicit access for market participants to the intraday capacity. Non-NWE regions should take a decision on how to join the European platform.
- **NRAs' endorsement of the selected platform and the implementation plans.** With respect to the NWE/PCR Day-Ahead project, PXs and TSOs will seek comfort from NWE NRAs with regard to the cost-sharing and cost-recovery arrangements for the development and implementation of the intraday platform.

### 2.2.3 The Cross-Regional Roadmap on Long-Term Transmission Rights

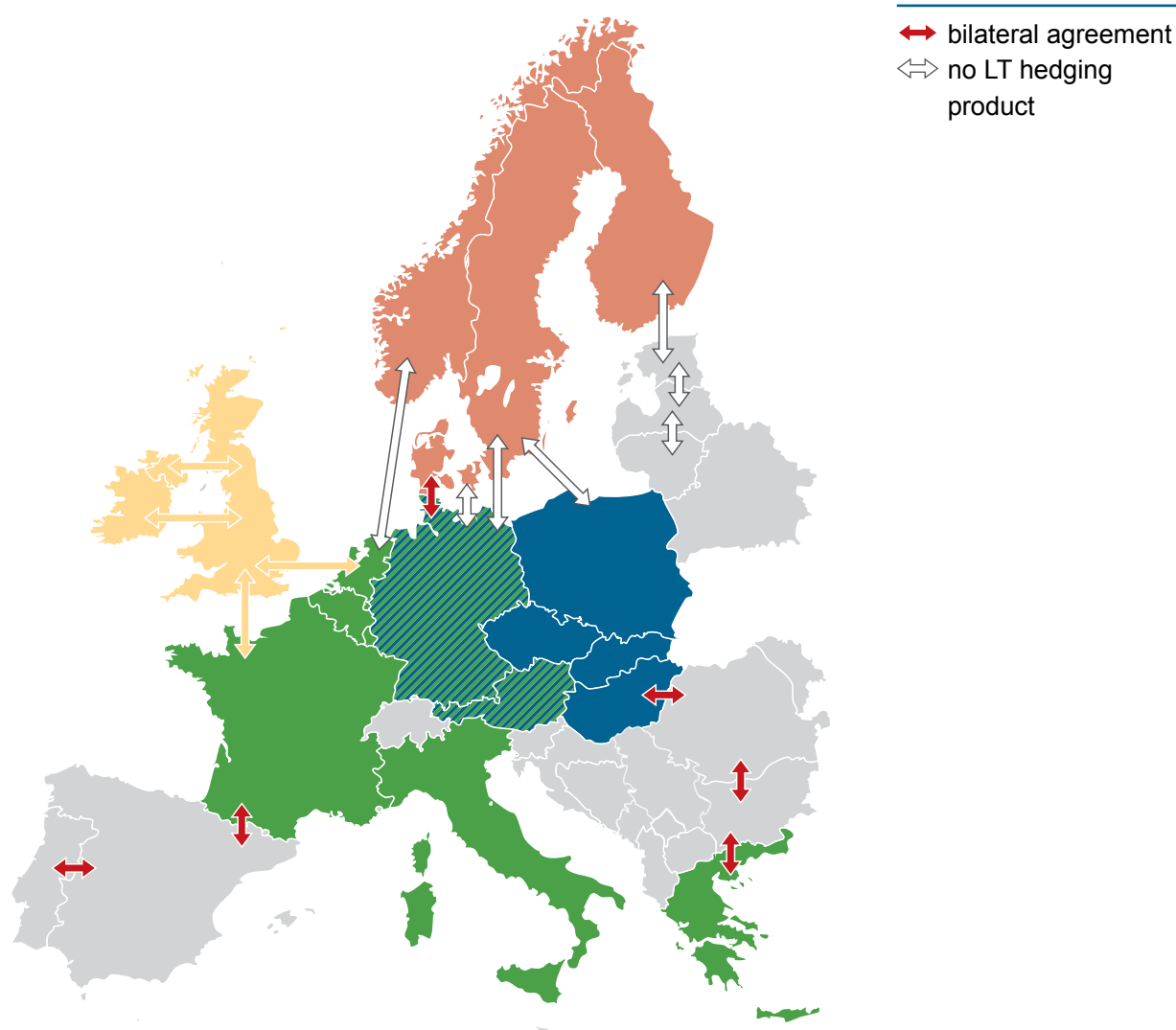
The objective is to give participants an opportunity to hedge themselves against congestion costs and day-ahead congestion pricing, through one single access point and a harmonised set of rules for long-term transmission rights, where financial markets do not enable them to do so in an efficient manner. In order to achieve this objective, four areas of work have been identified:

- (1) Harmonisation of the allocation rules;
- (2) Harmonisation of the allocation platform;
- (3) Harmonisation of nomination procedures;
- (4) A potential move to Financial Transmission Rights (FTRs).



Two regional allocation platforms, CASC and CAO, operating respectively on the borders of CWE, CSE and Switzerland and on the borders of the CEE region;

- The allocation of Physical Transmission Rights (PTRs) through harmonised rules applied within the CWE and CEE regions;
- The allocation of FTRs within the Italian market zones;
- A common coordinated approach amongst DC cables in FUI region;
- Financial hedging instruments (such as CfDs) across the entire Nordic area;
- A bilateral agreement or no Long-Term (LT) hedging product on the remaining European borders.



**Progress to Date** During the year, several improvements were made and important decisions taken.

The main developments regarding the choice of products were the following:

- **The Nordic NRAs' decision to stick to the current system.** On 26 June, the Agency was informed by the Nordic NRAs of their decision to continue to handle long-term hedging through the financial markets, as is the case today<sup>10</sup>. Some measures will be taken, under the aegis of NordREG, in order to improve liquidity within the Nordic market alongside the continuous work of the Nordic NRAs to monitor and improve the Nordic electricity market.
- **BnetzA, NMa, URE and the Nordic NRAs' decisions on the links between the Nordic market and the Continental markets.** On 29 June, they first informed the Agency that interconnectors between the Nordic market and the Continent would require individual decisions. The decisions for each interconnector were as follows:
  - The NorNed cable: due to the strongly opposing views expressed by stakeholders, the limited practical experience of FTRs applied to sub-sea cables and the particularities of the NorNed cable and of the Norwegian and Dutch markets, NMa and NVE decided to undertake further research this year to help reach a decision.
  - The SwePol link: as only low/vague demand for long-term hedging was expressed for this cable, EI and URE decided not to ask the TSOs to issue transmission rights (TRs).
  - The Baltic Cable: due to the current legal barriers, no TR could be implemented in the short-term. Moreover, EI and BnetzA would take stock of the effects of introducing FTRs on the Danish-German border before agreeing on a final decision regarding the Baltic Cable.
  - Kontek and the DK1-Germany border: BnetzA and DERA agreed to implement FTRs as a pilot project starting in 2013.

The pilot project was subsequently put on hold due to the uncertainty of the impact of the impending changes to the Markets in Financial Instruments Directive (MiFID II).

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<sup>10</sup> The Nordic market is characterised by the computation of a system price on which financial products such as futures are based. In parallel, Contracts for Difference (CfDs) allow market players to hedge against cross-zonal price differences.

With respect to the proposed MiFID II, the Agency has expressed concern that PTRs and FTRs might be captured by the new MiFID regime. To avoid such a negative effect, the Agency, in a Recommendation of 22 February, proposed to extend the scope of the exemption provided in the Commission's MiFID II proposal to the issuance and trading of TRs. The legislative process is still ongoing.

The main achievement regarding the progress on harmonisation of rules was the following:

- **Agreement on a draft 'wish list':** During the first half of the year, the NRAs compared the different rules currently in force across Europe with the FG on CACM. The outcome of this exercise was a draft list of requirements, i.e. a 'wish list', with which the future single European set of rules should comply. Based on this work, other documents and the latest developments, the Agency launched a public consultation in August on Forward Risk Hedging Products and the Harmonisation of Long Term Capacity Allocation Rules. The aim of the public consultation was to identify potential improvements and harmonisation of the allocation rules, as well as to obtain insights on forward risk hedging products, the way towards a single allocation platform and the harmonisation of the nomination procedures.

The main achievement regarding progress on the harmonisation of rules was the following:

- **The confirmed extension of CASC.EU to the SWE region in 2013.** In the SWE region, the NRAs supported the extension of the CASC.EU platform to SWE borders. For the French-Spanish interconnection, CRE and CNE, the NRAs involved sent a letter of comfort to their TSOs in October. The TSOs have entered into the process for the signature of a Memorandum of Understanding enabling the allocation of TRs through CASC.EU from May 2013. This shift to CASC was initially planned to take place in mid-2012. For the Portuguese-Spanish interconnection, in October the Iberian NRAs asked their TSOs to officially request a letter of comfort regarding the allocation of TRs through CASC.

**The Main Challenges Ahead**

Several challenges and uncertainties need to be overcome in the coming year in order to achieve progress towards a European solution.

The Impact of the Nordic NRAs' decisions. The decisions confirmed the existence of specific hedging systems for different parts of Europe (PTRs, financial products or no long-term hedging product). A Europe-wide analysis of this situation will have to be made to ensure that there is no barrier towards the achievement of the IEM or that there are no unjustified costs for market participants. The scope and time schedule of this analysis must still be clarified.

Finalisation and implementation of the 'wish list': Further to the evaluation of the received contributions, which started in November, the final 'wish list' is expected for January 2013. The list should be closely followed by the regional plans to implement it before the end of 2013.

The impact of MiFID II on the move to FTRs. In spite of the ACER Recommendation issued in February to exempt the gas and electricity long-term hedging instruments offered by TSOs and Auction offices acting on behalf of TSOs from the MiFID requirements, the legislative process still includes TRs in the scope of MiFID II. Until the adoption of MiFID II, the Agency and NRAs will continue to point out that it is essential to implement the ACER Recommendation and to give due consideration to the efficient functioning of energy markets when revising the regulatory framework for financial instruments. Once the final text of MiFID II has been adopted its impact will be assessed. The conclusions of this assessment will determine the resumption of the pilot project to implement FTRs on the Danish-German border and resumption of the discussion to move to FTRs within the CWE Region.

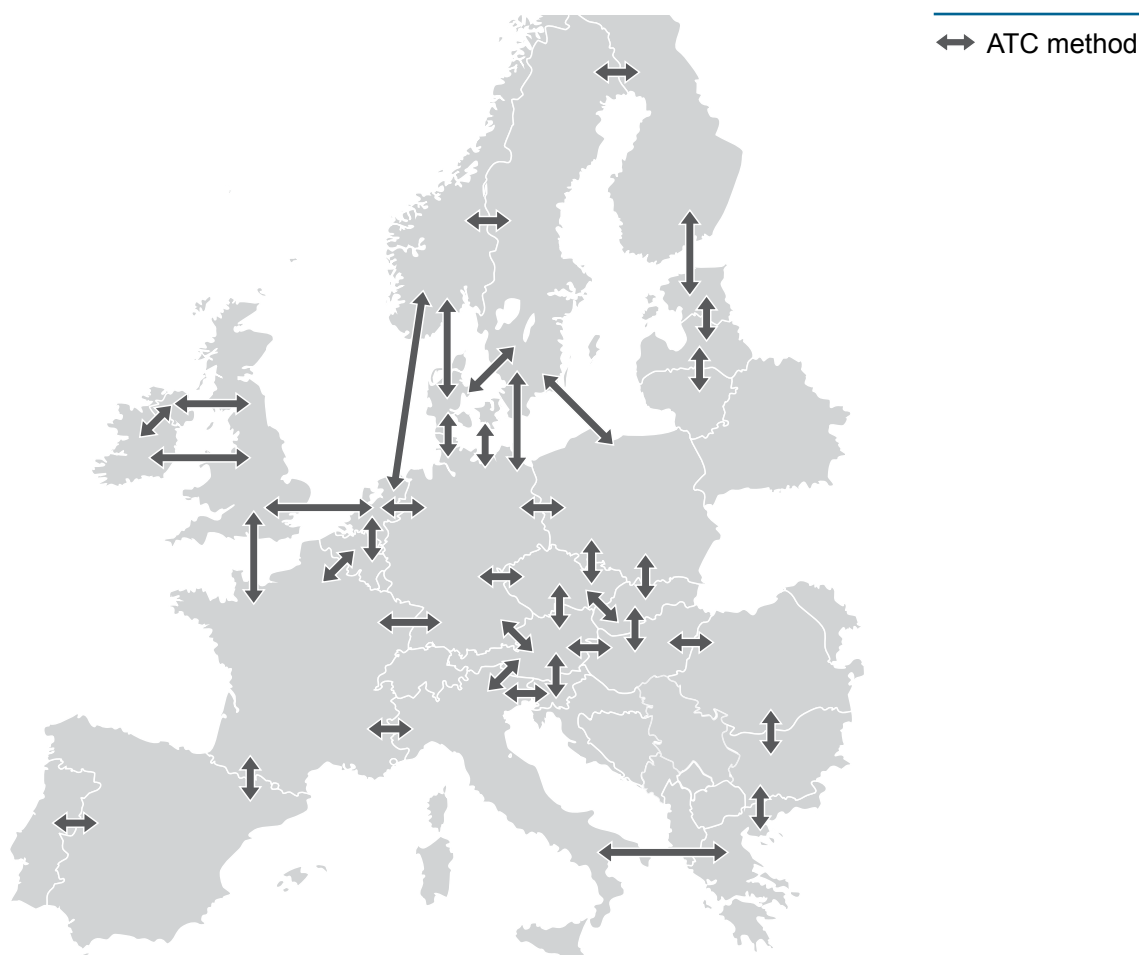
Definition of a roadmap towards a single allocation platform. Along with the move of the SWE Region to CASC.EU, steps for the extension of the current platforms to borders managed at local level will need to be determined. This extension could also be made easier with the progress of the market coupling as daily explicit auctions disappear.

### 2.2.4 The Cross-Regional Roadmap on Capacity Calculation Method

The target model, as defined by the CACM Framework Guidelines, specifies that TSOs need to apply an Available Transfer Capacity (ATC) or a Flow-Based (FB) method. The flow-based allocation method is preferable for short-term capacity calculation in highly meshed and highly interdependent grids. Whatever the method chosen, a common grid model must be used.

#### Current status of the implementation of capacity calculation methods in Europe

- On all borders, the capacity calculation method implemented is the Available Transmission Capacity (ATC) one.
- In the CWE region and on the borders of northern Italy, a coordinated ATC method is in place.
- The SWE, FUI and the Baltic regions have already decided to keep this method.
- The CWE and CEE region have already begun to move to the Flow-Based (FB) method. Implementation project is on-going in the CWE region but has been put on hold in the CEE region.
- In June 2012, the Nordic region decided to continue to apply the current method (ATC) pending further analysis.
- A decision is still pending in the CSE region and in Romania and Bulgaria.



**Progress to Date** Implementation took varying paths in 2012. There was some moderate progress, as shown below, within the CWE Region.

With market coupling already in place in the region, opportunities for testing flow-based implementation are greater. Simulations of flow-based implicit auctions were conducted using historical data from the Available Transmission Capacity (ATC)-based Central West Europe market coupling. On several occasions, the CWE NRAs followed up on analyses from the simulations by holding technical TSO-PX-NRA meetings, with the following topics covered: Critical Branches (CBs), Generation Shift Keys (GSKs)<sup>11</sup>, Flow Reliability Margins (FRMs), remedial actions and congestion income allocation. Transparency, monitoring and planning of the FBMC project were also covered extensively. In Q3 2012, CWE FB Project Partners announced a delay in the CWE Flow Based Market Coupling 'go-live' target date, shifting it to November 2013 at the earliest. The reasons invoked for this delay relate to the stabilisation of the FB methodology in terms of the GSK, FRM, CB selection and remedial actions on the one hand and to the complexity of implementing the operation and decision making process on the other. A stabilised methodology and a coordinated process are necessary for external parallel runs.

In May 2012 the CWE Price Zone Study Task Force presented its initiation report to the CWE NRAs (a study of existing cases and preparation of the qualitative analysis). Before that, BnetzA had already announced its withdrawal of support for the Price Zone Study as a result of a disagreement among the CWE TSOs and NRAs on the application of minimum capacity and system security. Moreover, interest in the study had diminished due to a parallel study which was to be prepared by the ENTSO-E at pan-European level.

Within the CEE Region, despite some initial progress discussions stalled again in 2012.

In the months following autumn 2011, when the CEE TSOs and, subsequently, the CEE NRAs were unable to agree on the actual implementation of the FBA<sup>12</sup>, the CEE NRAs and the Agency were working hard on smoothing out the disagreements surrounding the CEE project and on agreeing a development goal, further activities and priorities.

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11 The Generation Shift Key (GSK) is needed in order to model the usage of critical branches prior to the actual market result/dispatch, which determines the real usage. This is a sequential problem.

12 The main question that divided the involved parties was whether the region should first move to the explicit FBA or ATC-based market-coupling.



By the end of March 2012 the CEE NRAs and the Agency had agreed on the key issues and signed a Joint Declaration, stating that:

- The Target Model for electricity in the CEE Region is the Flow-Based Market Coupling (FBMC) model;
- The FBMC consists of two elements, flow-based capacity calculation and day-ahead market coupling;
- Both elements of the model shall be implemented in the CEE region in one single step by the end of 2013:
  - supported by close collaboration with relevant market participants and the CWE/NWE TSOs;
  - under the condition that benefits for each individual CEE country are to be achieved.

With regard to the extensive and lengthy discussions on the issue of unplanned loop flows as well as bidding zones, ACER asked ENTSO-E to start - in parallel with the Target Model development – a so called early implementation of the Network Code CACM which would replace limited regional and sub-regional investigations and provide sufficient insight on a proper geographical scale.

The period between April and August was, on one hand, characterised by the CEE TSOs' and the CEE PXs' intensive work towards the elaboration of a common roadmap, which although not fully completed, foresees a much later, September 2014, 'go-live' date. On the other hand, talks on unplanned electricity flows in Central-East Europe were becoming more frequent and increasing in intensity. In the CWE region, unplanned electricity flows also remain an important issue with it becoming increasingly difficult to operate the network without the use of Phase Shifting Transformers (PST). During the summer and autumn, two workshops, one organised in June by the Agency with a European perspective and the other one by BNetzA and the German Ministry for Economic Affairs in July focusing on the CEE Region, as well as two high-level conferences organised by the European Commission in March and October on possible remedies for the unplanned electricity flows were held.

While intensive work towards finding possible solutions is still taking place in the regions, a clear breakthrough is not envisaged in the immediate future. Despite an existing consensus that unplanned flows influence the functioning of the regional market and destabilise system security, only limited progress with regard to loop flow mitigation measures was made. Most notably, the Polish TSO and a German TSO reached, in late 2012 an agreement on a pilot project in the form of “virtual phase shifting transformers”, which is expected to start in early 2013 and last at least until the end of March 2013. However, the CEE parties could not reach a clear agreement on region-wide implementation steps, priorities and the sequence of the project tasks; possibilities to expand this concept to other CEE borders and other loop flow mitigation measures are nevertheless being considered in the CEE region.

Nevertheless, a flow based method in the CEE region and cooperation between the FB working groups in CEE and CWE did not progress during recent months. Achieving the target in the CEE region in time is therefore seriously at risk.

By September 2012 views on further steps diverged so much, that the CEE TSOs and NRAs faced a similar deadlock to the one witnessed a year earlier. The CEE NRAs therefore agreed on involving the ACER’s Board of Regulators on this issue, seeking the Board’s assistance. Recognising the importance of issues relating to the successful implementation of the day-ahead target model and the efforts to resolve them taken by NRAs in the CWE and CEE regions, the Board urged that progress on market coupling be maintained without further delay and that other issues such as loop flows be dealt with in parallel.

In 2012, the Nordic region decided to keep ATC as the capacity calculation method for the coming years, implying that at the launch of the PCR/NWE project the algorithm would have to be able to cope with both the FB and ATC methods. On the choice of the capacity calculation method, decisions from the CSE region, Romania and Bulgaria are expected to be taken in the near future.

The main challenge for the TSOs and NRAs of the CEE region is to reach a common agreement on the path towards the set goal – the FBMC target model for the whole region. While all parties unanimously agreed on FBMC as a Target Model for the whole region there are still discrepancies in, for example, the perception of the necessity for an additional, smaller bidding zone analysis that will help in evaluating the foreseeable impacts of the FBA. Once an agreement has been reached and preconditioned issues (MoU, Acceptance Criteria, and Roadmap) are covered, a joint Project Management and Project Management Structure (as requested by the NRAs in April 2012) will have to be established and development towards the target model should start, accompanied by further intensification of cooperation with the parties from CWE/NWE.

## **The Main Challenges Ahead**

The necessary coordination on the ATC-based and flow-based borders represents another challenge. Several ways to incorporate a border in the capacity allocation and calculation process can be adopted, if a border is linking one, ATC-based, with another, flow-based zone. The CWE FB Project Partners announced that the CWE FB Market Coupling would go live with a standard hybrid coupling, i.e. treating these borders as they are today while retaining the possibility of evolving towards a more advanced hybrid coupling at a later stage.

Other technical challenges to be resolved prior to the launch of the external parallel runs relate to the assessment of the FRM on critical infrastructure, the selection criterion for the CBs, the choice of the GSKs and the flow-based domain in comparison with the ATC-based domain. Decisions relating to the allocation of congestion revenues and the treatment of non-intuitive price structures will have to be taken on the basis of the information obtained through the external parallel runs.

Finally, information disclosure between the regions will be critical to successful project implementation. The extent to which available experience in capacity calculation can be effectively shared will drive the progress. Regions that are ahead in the process of implementing flow-based capacity calculation can help other regions by sharing their experience. This calls for a need to know which regions would like to shift to the flow-based capacity calculation, and when, in order to prepare properly for this change.

### 2.2.5 Integration of Electricity Balancing markets

#### Description of the target model

The target model for Electricity Balancing can be described two-fold.

**Strong coordination between TSOs** is required to permit the optimised activation of balancing energy as well as the sizing and exchange of balancing reserves. According to the provisions of the Framework Guidelines on Electricity Balancing (EBFG), activation will be based on a multilateral TSO-TSO Common Merit Order (CMO) for the manually-activated frequency restoration and replacement reserves and an equivalent concept for the automatically-activated frequency restoration reserves. The following milestones are expected to pave the way to implementation as stipulated in the EBFG:

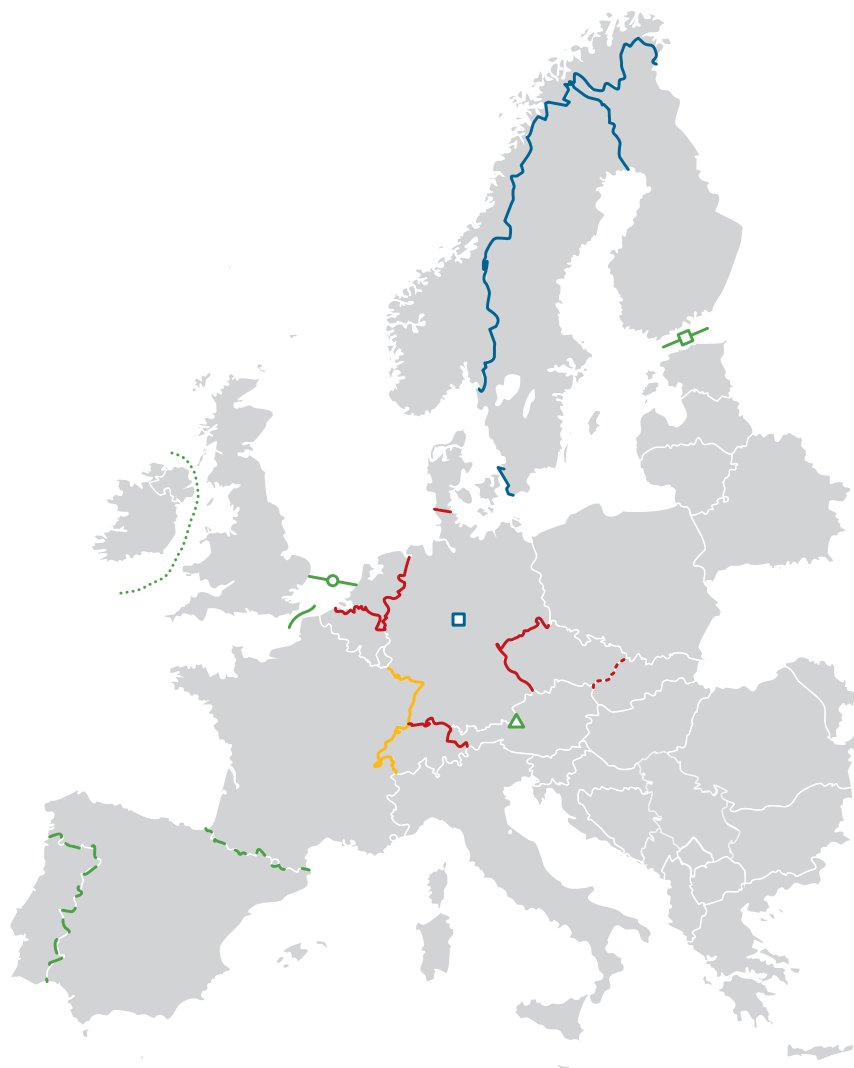
- 2 years to implement CMO for Replacement Reserves (RR) and, when economically efficient taking into account cross-border capacities, imbalance netting for automatic Frequency Restoration Reserves (FRR);
- 4 years to implement a CMO for manual FRR and to ensure a high level of coordination for automatic FRR;
- 6 years for the complete implementation of the target model across Europe.

**Well-designed market incentives** for market participants will support the development of a well-functioning balancing market and contribute to the limiting of residual balancing volumes. They will affect:

- Balance Service Providers (BSPs), through harmonisation of the pricing method to procure the balancing energy (pay-as-cleared-based) and through the requirements on terms and conditions to facilitate the participation of the RES and the demand response;
- Balance Responsible Parties (BRPs), through the definition of common features for an efficient settlement of energy imbalances.

To turn these ambitious requirements into concrete projects, the Agency invites ENTSO-E with the necessary involvement of the main parties (including EC, NRAs, TSOs and stakeholders) to specify the milestones and the detailed features to achieve the balancing market integration in line with the dedicated Framework Guidelines.

## Cross-border balancing mechanisms and projects\*



### Imbalance netting

- I-GCC mechanism
- ..... E-GCC mechanism

### TSO-BSP model

- Exchange of energy from RR (FR-DE and FR-CH)

### TSO-TSO with margins

- BALIT mechanism over FR-UK
- - - Extension of BALIT over FR-SP & PT-SP
- ..... Balancing over Moyle & East West
- Future arrangements over Britned
- Nordic-Baltic cooperation
- △ BRP-TSO exchanges over AT-DE

### TSO-TSO with Common Merit Order

- Common Nordic Balancing Market
- Balancing cooperation between German TSOs

\* models for balancing energy: this does not include exchange of reserves

**Progress to Date** In 2012, few projects were developed at regional or bilateral level.

The Nordic region TSOs have been involved in a pilot project establishing a common Load Frequency Control market (automatically-activated energy from FRR). An interim phase is expected to be launched early 2013.

The International Grid Control Cooperative (IGCC) system, which is the international expansion of Module 1 of the German GCC, became operational in the CWE region and has since gradually expanded. The IGCC avoids counteracting activation of balancing energy in adjacent control areas by netting imbalances while taking into account technical limitations such as the remaining transmission capacity and the maximum balancing energy exchanges. On 1 January 2012, Energienet.dk joined the IGCC system permanently after having tested it from 1 October 2011. TenneT BV (1 February 2012), Swissgrid (1 March 2012), CEPS (1 June 2012) and Elia (1 October 2012) also joined the IGCC system, currently comprising six countries. Yearly reduction of the balancing cost that can be achieved through the IGCC system is estimated at approximately 10 million € per participant. The IGCC system operation has proved to be very successful and robust and as such encourages further extensions in line with the roadmap defined in the EBFG.

The Spanish TSO (REE), together with the Portuguese TSO (REN) and the French TSO (RTE) from the SWE region have all agreed on the implementation of cross-border balancing mechanisms on the basis of the existing Balancing Inter-TSO (BALIT) process already in place in the FUI region. As a first step, bilateral, last resort, mechanisms are likely to be running during the first quarter of 2013.

**The Main Challenges Ahead**

The development of effective cross-border balancing markets represents an integral part of the future Internal Electricity Market. The Agency adopted the EBFG in September 2012 and is hopeful that the guidelines will encourage the emergence of regional pilot projects towards the implementation of the target model for electricity balancing. The Agency will continue to follow the development of both, regional initiatives and the network code on electricity balancing – the drafting of which started in November 2012 - to ensure consistency with the Framework Guidelines.



## 2.3 The ERI: the way forward

The Agency's vision applied to the ERI has proved to be a key element in the progress towards the implementation of the CACM Target Models. In spite of the obstacles met during the implementation phase, the guidance given by the cross-regional roadmaps and the close follow-up ensured by the Agency, with the support of all stakeholders, have enabled both progress to happen and, sometimes, difficulties to be overcome.

In the course of 2013, particular attention will be paid to the following key milestones:

- **Timely and successful launch of the NWE/PCR pilot project.** As this project is the first step towards the single European Price Coupling, the new target 'go-live' date (November 2013) must be respected. The Agency's request to the project partners to provide a detailed time schedule and a monthly report, starting from January 2013, on the progress made against the defined time schedules will contribute towards meeting this goal. In terms of extension, the SWE and Baltic regions appear as the most likely candidates to be the first to join the NWE.
- **Agreement on the intraday platform to be used for the Intraday Target Model and its fast deployment through the definition of ambitious implementation plans.** The delay caused by the breakup of the 2011 September agreement between PXs and ENTSO-E is jeopardising the chances of meeting the 2014 deadline. A consensus on the intraday platform would introduce a new set of dynamics to the project.
- **Harmonisation of the allocation rules for the TRs.** Following the publication of the final 'wish list', the relevant regions will have until the end of 2013 to align their auction rules to the 'wish list'. This progress will play a key role in the way toward a single point of contact for Europe.
- **A successful external run for the CWE FB project.** To ensure a smooth and timely transition from the current ATC market coupling to the FBMC, TSOs and PXs need to gain enough experience about the processes involved with the FBMC. Market participants must have enough time before 2014 to practice and realise how this move to the FB method would impact on their trading procedures.

- **Agreement on short-term solutions to limit loop flows.** This issue is detrimental to any progress within the CEE region. Therefore, the pilot project of the so called “virtual phase shifting transformer”, started in January 2013 between 50Hertz and PSE-O will be assessed carefully. The intention is to limit unplanned cross border flows from Germany to Poland (and indirectly to other countries). A similar agreement is considered for the Czech-Germany border. Such agreements could be an important step to unlock the discussions on the implementation of the day-ahead target model.
- **Emergence of regional pilot projects towards the implementation of the target model for electricity balancing.**

The difficult challenges that the electricity sector has to face and which, in some cases, already significantly impact the IEM (e.g. the development of national capacity remuneration mechanisms, the growing intermittency, the lack of infrastructures, the unplanned flows phenomenon, etc.) further reinforce the importance of rapid implementation of these milestones. This will only be possible with strong and continuous commitment from all stakeholders.





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## GAS REGIONAL INITIATIVE

### 3.1 Early implementation of capacity allocation mechanisms (CAM)

In 2012 the Gas Regional Initiative experienced a step-up in pace with the kick-off of the first project of European-wide scope: the Implementation Roadmap for Capacity Allocation Mechanisms (CAM Roadmap). The goal of the Roadmap is to foster the early implementation of the provisions in the Network Code on capacity allocation mechanisms (CAM), before it becomes legally binding with its adoption through the so-called comitology procedure in 2013. For this purpose, the Roadmap is composed of a number of pilot projects and platforms for several cross-border interconnection points in EU Member States, which will test the NC provisions and hence pave the way towards the timely implementation of the CAM NC across Europe.

The elaboration of the Roadmap was first proposed at the 21<sup>st</sup> Madrid Forum<sup>13</sup> on 22 and 23 March 2012, where ENTSOG committed to encourage TSOs, with the full involvement of the relevant NRAs, Member States and other stakeholders, to work towards setting up regional pilot projects and regional pilot platforms for the early implementation of coordinated, market-based allocation of bundled cross-border capacity products. The Forum concluded that an Implementation Roadmap should be developed in order to achieve this goal.

The process leading to the completion of the CAM Roadmap has been an example of fruitful cooperation between the Agency, ENTSOG, NRAs and TSOs. Following the mandate received from the Madrid Forum, the Agency and ENTSOG started to work jointly in order to bring all parties together, discuss the path towards the Roadmap and plan the necessary steps. A kick-off meeting was held in Ljubljana on 26 July. Over the summer and autumn of 2012, ENTSOG and the Agency started to draft the Roadmap jointly in cooperation with TSOs and NRAs, and an update of this work was presented to the 22<sup>nd</sup> Madrid Forum on 3 October.

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13 Conclusions 11 and 12 of the 21st Madrid Forum:  
[http://ec.europa.eu/energy/gas\\_electricity/gas/forum\\_gas\\_madrid\\_en.htm](http://ec.europa.eu/energy/gas_electricity/gas/forum_gas_madrid_en.htm)



The Forum<sup>14</sup> endorsed this work and encouraged further TSOs and NRAs to proceed, while ensuring convergence of the projects and avoiding duplication of costs. Over the last quarter of 2012, the roadmap was completed by ENTSOG and ACER with information from TSOs on the pilot projects that would be part of it and with the description of the governing arrangements that would be in place during their implementation. Finally, the Roadmap has been submitted to comments from TSOs and national regulators and it has been presented for final endorsement to ACER's Board of Regulators and ENTSOG's Board by early 2013.

This process, for which the Gas Regional Initiative has proven to be a very useful framework, has benefitted from the sound cooperation and valuable contribution from all parties involved, creating a positive precedent for future work in similar initiatives under the GRI umbrella.

The following sections show the pilot projects which at the moment form part of the Roadmap and some of the key factors for success and first lessons learned from the implementation of the projects so far.

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14 Conclusion 17 of the 22nd Madrid Forum:  
[http://ec.europa.eu/energy/gas\\_electricity/doc/forum\\_madrid\\_gas/meeting\\_022\\_conclusions.pdf](http://ec.europa.eu/energy/gas_electricity/doc/forum_madrid_gas/meeting_022_conclusions.pdf)

### 3.2 CAM pilot projects

The implementation phase of the Roadmap, the most relevant and challenging stage of the process, has already started, but the most important part of it still lies ahead. The first CAM pilot projects across Europe were planned at the end of 2011 and have started to be implemented during 2012. The Roadmap is expected to foster their swift implementation as well as promote new projects and allow TSOs bringing capacity from additional interconnection points to have it allocated through a procedure in line with the CAM NC.

The following pilot projects for coordinated capacity allocation by TSOs are already on-going at present or will soon start, and they are intended to be the building blocks of the CAM Roadmap:

#### Overview of CAM pilot projects on-going at December 2012

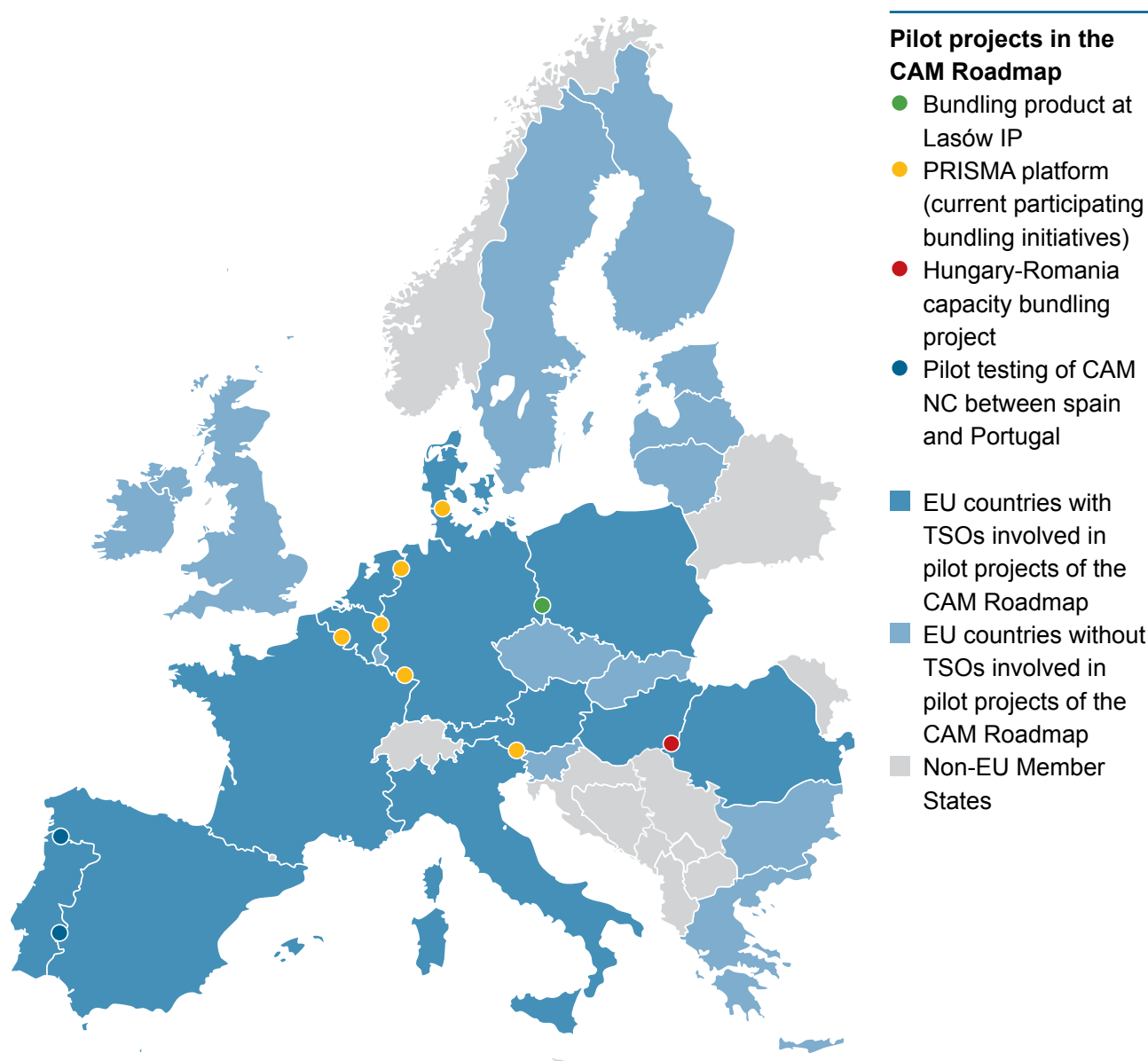
#	Project	Countries involved	TSOs involved	Started
1	Joint Capacity Platform initiative (PRISMA)*	Belgium, Germany, Denmark, France, Netherlands, Austria, Italy	Ontras, GTS, GRTgaz, Bayernets, Energinet DK, Opal Nel Transport, GRTgaz Deutschland, Fluxys Tenp, Fluxys Belgium, Gascade, GTG Nord, Open Grid Europe, Thyssengas, Nowega, Terranets bw, GUD, Snam Rete Gas, BOG, TAG, Gas Connect Austria	Q2 2012
1a	Pilot project at Oude-Statenzijl IP	Germany, Netherlands	Gasunie Deutschland, GTS	Q1 2012
1b	Bundled product at Eynatten IP	Belgium, Germany	Fluxys Belgium, Open Grid Europe	Q3 2011
1c	Bundled product at Taisnières-H IP	Belgium, France	Fluxys Belgium, GRTgaz	Q4 2011
1d	Bundled product at Obergailbach IP	Germany, France	GRTgaz, GRTgaz Deutschland	Q1 2012
1e	Bundled capacity allocation at Arnoldstein-Tarvisio IP	Austria, Italy	TAG, Snam Rete Gas	2011
2	Bundled product at Lasów IP	Germany, Poland	Ontras, Gaz-System	Q4 2011
3	CAM harmonisation proposal between Spain and Portugal	Portugal, Spain	REN, Enagas	Q3 2012
4	Hungary/Romania Capacity bundling project	Hungary, Romania	FGSZ, Transgaz	Q4 2012

*\*Note: The new name and brand for this project has been presented on 4 December 2012. It is called PRISMA as of 1 January 2013.*

More detailed information about the scope and features of these pilot projects will be provided in the CAM Roadmap document.

An important milestone in the implementation phase will be the entry into operation of the first of the projects listed in the table, the Joint Capacity Platform initiative (PRISMA), launched by 16 TSOs from five countries in North-West Europe in May 2012 and expected to be fully operational in its new form by April 2013. This initiative is particularly relevant as it encompasses an increasing number of TSOs from EU countries and aspires to become a truly European platform for capacity allocation, in line with the CAM NC.

The following map shows the geographical location of pilot projects across the European IPs included so far in the CAM Roadmap, with an indication of the countries with TSOs involved in these projects:



During the implementation stage it will be essential that convergence in the process be ensured, meaning sharing of information and experience in order to promote adoption of the best solutions, and a coherent implementation of the CAM NC provisions throughout the existing and new pilot projects. Following the mandate of the 22<sup>nd</sup> Madrid Forum, the Agency will play a key role in promoting this convergence of CAM pilot projects, striving to avoid duplication of efforts and to foster cost efficiency in the whole process.

It should also be recalled that in 2012 the proposal for a European gas target model<sup>15</sup> (GTM) presented by European regulators was endorsed by the Madrid Forum<sup>16</sup>. This vision for the internal energy market for gas will take shape through the adoption and implementation of Network Codes, the first one being that on CAM, in 2013. In parallel, the potential for the application of the GTM at the regional level has been explored at an initial stage through a number of studies on market liquidity and cross-border integration across the three regions<sup>17</sup>. These studies aim at testing how the principles of the GTM could be applied to the gas markets in each region and analyse in particular the benefits that their application would bring in terms of welfare gains. The elaboration of these studies was planned by NRAs after the presentation of the GTM paper and now the Work Plans 2011-2014 from the gas regions include studies of this nature.

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15 [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_PUBLICATIONS/CEER\\_PAPERS/Gas/Tab/C11-GWG-82-03\\_GTM%20vision\\_Final.pdf](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_PAPERS/Gas/Tab/C11-GWG-82-03_GTM%20vision_Final.pdf)

16 Conclusion 5 of the 21st Madrid Forum:  
[http://ec.europa.eu/energy/gas\\_electricity/gas/forum\\_gas\\_madrid\\_en.htm](http://ec.europa.eu/energy/gas_electricity/gas/forum_gas_madrid_en.htm)

17 See studies carried out in the three gas regions at:  
[http://www.acer.europa.eu/Gas/Regional\\_%20Initiatives/Pages/default.aspx](http://www.acer.europa.eu/Gas/Regional_%20Initiatives/Pages/default.aspx)

### 3.3 Key elements for success in CAM pilot projects

The first pilot projects that have started to be set up during this year 2012 have allowed to identify some key factors for a successful implementation of these projects as well as a number of issues of different nature which can arise before or during their execution.

Key factors for success have been preliminary identified which are of European scope, together with others which are specific to each project. Among the first ones, the following can be highlighted:

- the need that TSOs and NRAs have enough resources to commit to the projects;
- the benefit from experience sharing in learning important lessons for future projects;
- the convenience of having stability in the CAM NC provisions, especially as regards auction algorithms, due to their impact in IT projects; and
- the achievement of sufficient geographical diversity of projects throughout Europe and their progressive convergence, i.e. a coherent approach in the implementation of NC provisions.

Among the project-specific factors, it has been identified the adaptation – where necessary – of the national legal and regulatory regimes, a strong support and commitment from the parties involved in each project, the avoidance of duplication of efforts, the minimisation of inefficient costs and a reasonable way to ensure the coverage of costs efficiently incurred by TSOs.

As regards issues during implementation, some of the main obstacles that have already been encountered or that are identified as potential risks are the following:

- The possibility that the CAM Network Code is modified during the process of Comitology;
- an increase in the workload and the prioritisation of other tasks, given that the early implementation of the CAM NC through pilot projects is carried out on a voluntary basis;
- the new pilot projects will bring changes to network users and market participants which can make the new allocation procedures more costly or complex for them than the previously existing ones (especially in cases where there was no contractual congestion);
- the integration of IT systems from TSOs may be costly and time-consuming and delay the expected timeframe for implementation;
- potential difficulties in the adaptation of national legislation to enable the application of NC provisions and the practical implementation of the pilot projects;
- coordination issues that may arise between neighbouring TSOs at the time of implementing coordinated allocation in their interconnection points.

All parties involved in the pilot projects should aim to early identify any potential issues and take action to tackle them within their competences and responsibilities. ACER expects that the CAM Roadmap will facilitate the implementation of the projects by early identifying these risks, promoting the exchange of experiences and lessons learned and looking for appropriate solutions at the level of each project, for project-specific issues, or at a wider level for issues of general interest.

### 3.4 GRI progress review: other regional activities

In addition to the work on the Implementation Roadmap and pilot projects on CAM, the three gas regions have been working extensively during 2012 on a number of regional projects in different areas, in conformity with the schedules in their respective 2011-2014 Work Plans<sup>18</sup>. The following subsections highlight the main achievements of these regional projects and activities.

#### 3.4.1 North-West region

The main achievements in the North-West (NW) region during 2012 relate to transparency, the Gas Regional Investment Plan (GRIP), monitoring the Open Season between France and Luxembourg, the organisation of pre-comitology meetings and to exploring the feasibility of implicit allocation.

The project on transparency was launched in 2011 to monitor TSOs' compliance against the 3rd Package transparency requirements and to ask market players on whether data is published in an appropriate manner. By mid-2011, TSOs in the region were asked to complete a questionnaire drafted by the NRAs to indicate compliance with the relevant transparency requirements. Each NRA checked the assessment of its TSO(s). As a next step, a public consultation was launched in the first quarter of 2012, with ten responses received from TSOs, shippers and representative organisations.

After the 20th Madrid Forum in September 2011, ACER took over the work of monitoring the implementation of the transparency requirements in all EU Member States, in order to ensure cross-regional consistency and efficiency of the process. For this reason, the analysis of the consultation responses conducted by the NRAs was sent to ACER, and the GRI NW project as such came to an end, becoming part of the ACER pan-European assessment project.

At the end of 2011, NW TSOs published the first NW Gas Regional Investment Plan (GRIP) and submitted it to public consultation. TSOs gave due consideration to the input received from stakeholders by reasserting their views on the role of the regional plan with regard to the identification of investment needs. The RCC also drafted recommendations on how GRIP could be further improved and discussed them in an open dialogue with TSOs over the summer 2012. TSOs welcomed the RCC recommendations and indicated their intention to emphasise the regional aspects of the plan and involve the market during the drafting process. The preliminary views for the next GRIP (to be published in 2013) were presented to stakeholders in November 2012.



<sup>18</sup> The updated Work Plans 2011-2014 of the three gas regions can be found on the ACER website: [http://www.acer.europa.eu/Gas/Regional\\_%20Initiatives/Gas\\_regional\\_work\\_plan/Pages/Gas-Regional-Work-Plans.aspx](http://www.acer.europa.eu/Gas/Regional_%20Initiatives/Gas_regional_work_plan/Pages/Gas-Regional-Work-Plans.aspx)



Regarding the Open Season France-Luxembourg, the non-binding phase was launched at the 8th SG meeting (November 2010). It was decided that this open season should be monitored using GRI NW as a platform for discussion. The lessons learned from this process in terms of coordination and transparency were used in 2012 to provide input to the European discussions on the CEER Consultation Paper on Incremental Capacity.

Another relevant area of work is related to the pre-comitology meetings held in the region. The NRAs, TSOs and Member States within GRI NW discussed in an open dialogue, during two meetings in April and November 2012, the Framework Guideline and Network Codes at so-called 'pre-comitology meetings'. These meetings enable NRAs to explain the background and principles in the Framework Guidelines, and TSOs to explain how the principles are translated into a network code. The Member States obtained a good understanding of the content and provided their views. This dialogue should ultimately result in a more efficient comitology procedure.

Finally, the GRI NW has started exploring the application of implicit allocation in the region. The Gas Target Model calls upon NRAs to consider whether measures, such as implicit auctions, would improve efficiency in the use of interconnection capacity. Given that the GRI NW gas market appears most suitable for implicit allocation, it was therefore agreed that an RCC position paper would be drafted on the feasibility of implicit allocation in the NW gas markets.

In the position paper, the NRAs analysed the added value that implicit allocation could have in the gas markets and when such implicit mechanisms should be introduced. The position paper did not explore in detail what the implicit allocation mechanism might look like in terms of market design. The position paper did however present the relevant design issues. A public consultation was launched in October and a workshop took place on 19 October. During the SG meeting in November 2012, the RCC presented the most important findings of the consultation. The final position paper will be presented in the first quarter of 2013.

Finally, Ofgem, CREG and NMa have jointly undertaken analysis of the efficiency of gas flows between Great Britain and Belgian/Dutch gas hubs (i.e. between the NBP and ZEE/TTF hubs). The initial results show incidences of flows against price differentials ("FAPDs"), whereby gas is not flowing from the low-priced to the high-priced market. There is also evidence of days when neither interconnector is being fully utilised – even at times where the price differentials are relatively high. A call for evidence closed on 21 December 2012 and regulators are now considering which steps need to be taken to improve the situation. These may include early implementation of some network codes, such as CAM.

### 3.4.2 South South-East region

The SSE Work Plan 2011-2014 was updated in February 2012 and presented at the 21st Madrid Forum in March 2012. The new version is more focused on pilot projects testing the early implementation of Network Codes, especially in capacity allocation and balancing.



With reference to capacity allocation, the pilot project for coordinated capacity allocation at the Arnoldstein/Tarvisio IP between Austria and Italy showed some significant developments. In February 2012 TAG implemented an automatic procedure to offer day-ahead transportation capacity on an interruptible basis. AEEG modified the national rules to use entry capacity at Tarvisio, in order to allow daily transportation at the IP. To advance the project implementation further, E-Control and AEEG established a joint task force, involving TAG and Snam Rete Gas, to design the main features of the evolution of the above arrangements. The NRAs drafted joint guidelines on 'day-ahead capacity allocation mechanism for transportation of gas from Baumgarten to Arnoldstein/Tarvisio-Italian gas system' and submitted them for comments to TSOs and stakeholders through a market survey, receiving ten responses<sup>19</sup>. Daily auctions of bundled capacity product should start from 1 April 2013 following the CAM NC specifications. TAG and Snam Rete Gas have also recently joined the Joint Capacity Platform Initiative (PRISMA).

The other project related to capacity allocation is GATRAC platform, which aims at extending its services to other IPs. A new member, Eustream, joined the platform in September 2012. Eustream and NET4GAS are working together with NCG and an IT provider to implement day-ahead products, which will be analogous to the products already offered by Ontras and GRTGaz.

In the area of market integration, E-Control has been conducting the 'Structure of future regional balancing and trading zones in the SSE region and implementation of the Gas Target Model' pilot project. This analysis is being undertaken in a first step through two studies:

- A macroeconomic 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 two case regions, both from GRI SSE (AT-SK-CZ and AT-IT).
- A case study on the identification of possible steps for the implementation of the measures proposed in the Gas Target Model in the GRI SSE region, from an institutional and practical perspective.

<sup>19</sup> The draft guidelines for consultation and the non-confidential responses are available at this link: [http://www.e-control.at/en/market\\_players/natural-gas/natural-gas-market/consultation-interconnection-point-arnoldstein](http://www.e-control.at/en/market_players/natural-gas/natural-gas-market/consultation-interconnection-point-arnoldstein)

The study on the macroeconomic benefits of further market integration<sup>20</sup> was launched in the first quarter and published in October 2012. The study concludes that there are almost no limitations to cross-border market integration from a capacity point of view. The study also analysed the potential macroeconomic effects of cross-border market integration for the CEE region (Austria, the Czech Republic, and the Slovak Republic) and for the Austria-Italy region. The main findings of the analysis are that market integration in the CEE region would generate additional economic benefit and the expected social welfare gain would justify market integration. The CEE region could be expanded by the Austria-Italy region once some promising experience has been gained.

The second study on concrete implementation steps for the Gas Target Model in the GRI SSE kicked off in June 2012. Participation is still open to all interested NRAs and stakeholders. For the time being, Eustream, NET4GAS, CEGH and E-Control sponsor the study. At the 22nd Madrid Forum (October 2012) high-level principles for the establishment of a CEE Trading Region were presented to a wider public and the results of the study were presented to SSE stakeholders in December.

With regard to the pilot project on the establishment of a cross-regional balancing platform, CEGH AG presented the functioning and new development of the Central European Gas Hub in May 2012, reflecting changes in the Austrian gas market model. Having consulted its clients, CEGH determined a within-day capacity market as the most preferred option for cross-border balancing. Auctions on the corresponding platform will take place hourly, with a single clearing price, when the project starts.

With reference to GRIPs, the Southern Corridor and Central Eastern Gas Regional Investment Plans covering the countries of the GRI SSE were presented and discussed with stakeholders on 31 May 2012. The lead NRAs have submitted comments to be taken into consideration in ACER's Opinion on the GRIPs. The next GRIPs involving SSE countries are expected to be presented in 2014.

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<sup>20</sup> Published on the ACER website: [http://www.acer.europa.eu/Gas/Regional\\_%20Initiatives/South\\_South-East\\_GRI/Pages/GRI-SSE-studies.aspx](http://www.acer.europa.eu/Gas/Regional_%20Initiatives/South_South-East_GRI/Pages/GRI-SSE-studies.aspx)

### 3.4.3 South region

The 2011-2014 Work Plan of the South region (SGRI), updated in February 2012, focuses on the implementation of Regulation 715/2009, with particular emphasis on pilot projects for the early implementation of Framework Guidelines and Network Codes. The main progress in the SGRI in 2012 is related to capacity allocation (CAM), congestion management procedures (CMP), infrastructure development, monitoring of transparency requirements and regulatory convergence between Spain and Portugal with a focus on tariffs.



On capacity allocation (CAM), the first pilot project<sup>21</sup> for a joint auction among the TSOs to allocate available capacity on the Portuguese-Spanish border was run in 2012. The Portuguese and Spanish TSOs made a proposal to regulators of a coordinated capacity allocation system following the CAM framework guidelines and draft NC, in order to allocate bundled-virtual capacity for the next gas year. A coordinated auction took place between July and September to allocate interconnection capacity from 1 October 2012 to 30 September 2013. Regulations in the two countries were amended to make the auction possible. No capacity was allocated in this first application of the auction procedure, due to lack of interest in the current market context by market participants, who did not welcome warmly the new system, given that it could have resulted in higher access costs than the tariffs currently in force, and its lower product flexibility compared to the capacity allocation mechanism currently in place. However, the exercise was assessed by regulators and operators as useful to identify the regulations that needed to be adapted, the documentation and processes that had to be developed and to raise awareness among shippers of the implications of the CAM NC.

Also on CAM, the SGRI also continued developing annual Open Subscription Procedures to allocate short term French-Spanish interconnection capacity in November 2012. After this procedure, capacity allocation mechanisms will be harmonised in alignment with the CAM NC requirements. A roadmap on CAM harmonisation in the SGRI will be drawn up in 2013 in order to be ready to implement it in the whole region in 2014.

With regard to congestion management procedures (CMP), the final goal is to harmonise CMPs in all interconnections in the region. The activities planned to reach this goal began with a roadmap on CMP harmonisation designed by the TSOs, presented at the 20<sup>th</sup> IG meeting on 19 November.

In relation to infrastructure, the Gas Regional Investment Plan (GRIP), finalised by the TSOs in November 2011, was submitted for public consultation during the first quarter of 2012. Regulators have prepared a common position on the

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21 More information on this project can be found here: [http://www.acer.europa.eu/Gas/Regional\\_%20Initiatives/South\\_GRI/Pages/Joint-allocation-of-capacity-between-Spain-and-Portugal-in-2012.aspx](http://www.acer.europa.eu/Gas/Regional_%20Initiatives/South_GRI/Pages/Joint-allocation-of-capacity-between-Spain-and-Portugal-in-2012.aspx)

SGRI GRIP and sent it to ACER in November 2012. The elaboration of the next South GRIP is expected to start in 2013 with a view to presenting the GRIP in early 2014.

In the area of tariffs, regulators from Spain and Portugal conducted a study on tariff regimes<sup>22</sup> in both countries, following a public consultation of the stakeholders. Once the study is finalised, the next steps are the revision of the tariff methodology in Spain (currently in progress), the revision of CAM procedures in Portugal (to harmonise other infrastructures with the Spain-Portugal interconnection) and then reassessment of the harmonisation process. Further studies on the evaluation of tariff structures and the tariff harmonisation are also planned to take place in 2013. In the meantime, regulators are working in improving the entry-exit systems in their countries.

In terms of transparency, in June 2012 TSOs provided information on the current status of the investments associated with the Open Season (OS) 2013-2015 to the NRAs. The monitoring of the implementation of the transparency requirements started at the end of 2011 and was finalised during the third quarter of 2012. In 2012 questionnaires were sent to transmission, LNG and storage operators, and their answers were analysed and submitted to public consultation from March to June 2012. The preliminary findings were presented at the IG and SG meetings, and the final results were included by regulators in a Final Report sent to ACER and presented to stakeholders in September 2012 at the 17th SG meeting. The main conclusion of the analysis is that, in general, a significant level of compliance is evident with respect to all transparency requirements of the Regulation (EC) No 715/2009, despite differences among operators or countries. Nevertheless, there is a need to improve the frequency of publication, historical data, language and formats, and there is also room for improvement in easy and direct access, user-friendliness and publication in English.

For the years 2013 - 2014, further work is foreseen in the abovementioned areas, as well as in others (balancing, interoperability and development of hub-to-hub trading) in the 2011-2014 Work Plans.

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<sup>22</sup> Information on this study is available here: [http://www.acer.europa.eu/Gas/Regional\\_%20Initiatives/South\\_GRI/Public\\_Consultations/Public\\_hearing\\_cross\\_border\\_tariffs\\_between\\_Portugal\\_and\\_Spain/default.aspx](http://www.acer.europa.eu/Gas/Regional_%20Initiatives/South_GRI/Public_Consultations/Public_hearing_cross_border_tariffs_between_Portugal_and_Spain/default.aspx)

### 3.5 GRI: The way forward

After the first two years of coordination of the GRI by ACER, it is now recognised that the GRI is not only a platform for cooperation and exchange of information for NRAs, TSOs and other stakeholders, but also has an added value in promoting the early implementation of NCs through the set-up of pilot projects in the areas where these NCs are being developed. The GRI thus ensures that lessons can be learned from these projects, paving the way for their realisation and identifying potential issues and problems— particularly of legal, operational or other nature – before their implementation.

As explained in the following sections, delivering the first implementation Roadmap on CAM is an achievement that provides an incentive to undertake similar work in other areas where Network Codes are being developed. Finding the right working arrangements for the implementation of the Roadmap will be of key importance to make it possible. At the same time, the Agency encourages all GRI actors to continue the implementation of the current projects at regional level, preserving the recognised value of regional projects in sharing good practices, learning from the experience gained and accomplishing tangible results with specific achievements in different areas. ACER will continue its coordination and reporting activities, taking stock of the consolidated work and the established practices.

#### 3.5.1 Next pan-European projects

Now that the scope of GRI work has started to expand to an EU-wide level, there is evidence that such EU-wide work is possible under GRI. Grounds exist now for developing similar Roadmaps in other areas where they can equally contribute to the early implementation of NCs. Balancing and interoperability are two possible areas for this future work.

The Agency published in October 2011 its Framework Guidelines on Gas Balancing in Transmission Systems. On that basis, ENTSO-G has delivered its proposal of Network Code in October 2012. As regards Interoperability, the Agency issued its Framework Guidelines in July 2012, and ENTSG's Network Code is currently being elaborated and is expected by summer 2013.

Once the Network Codes have reached a mature stage in their development, the Agency will be ready to contribute to the development of Roadmaps for their early implementation<sup>23</sup>. The leadership of national regulators and TSOs and the involvement of other stakeholders in the process will be crucial for bringing these Roadmaps to life.

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<sup>23</sup> Early work on the implementation of these Network Codes will be especially necessary, as it is foreseen in both cases that the period for implementation will be of 1 year after their entry into force.

### 3.5.2 Governance structures and stakeholder participation

One of the key factors for a successful project implementation within the framework of the CAM Roadmap, and for a possible future extension of this work to other areas, is identifying the right governance structures, i.e. the working groups, committees and organisational arrangements that will be created in order to manage and monitor the implementation process. Given the large number of parties involved in such projects, it is important to ensure that they all have the possibility to take part in these governance arrangements and are able to exercise their activities according to the role they have in the gas market.

It has to be ensured that the governance structures are fit for purpose and contribute to achieve the aims of the CAM Roadmap:

- enable TSOs to implement the pilot projects and NRAs to follow up and oversee such implementation and undertake the regulatory changes needed;
- promote experience sharing and the exchange of lessons learned between existing and future pilot projects launched by TSOs and NRAs;
- adequately involve all interested stakeholders in the process, so as to ensure that the implementation of the projects effectively responds to the market needs;
- enable ACER and ENTSOG to monitor the process, as requested by the Madrid Forum, by identifying potential issues, ensuring the coherence of solutions adopted by the different projects, avoiding the duplication of costs and aiming to run the process in an inclusive, non-discriminatory and transparent way.

The CAM Roadmap must be a tool to facilitate the early implementation of CAM NC and not add any unnecessary complexity or bureaucracy to the process of implementation of the Network Codes. All parties should ideally agree on governance structures that are adequate and suitable for these purposes, while at the same time keeping the process 'manageable' and not delaying or slowing down the implementation. Discussions are ongoing to identify these governing structures and they will be set out in the final CAM Roadmap document.



### 3.5.3 Preserving the value of GRI at regional level

Although GRI work has started gaining a cross-regional dimension, an important part of it still remains regional, and ACER, national regulators, TSOs and stakeholders alike recognise its contribution to market development and its value as a forum for exchanging information, sharing good practices among regulators and operators, learning from the experience in regional projects and achieving tangible results in specific projects on areas such as infrastructure development, security of supply, market integration, hub development and others.

Therefore, the Gas Regional Initiative will keep the regional dimension of work open and ACER will support and facilitate the development of regional projects and activities, while undertaking in parallel, work at a wider, cross-regional level, aiming in particular at the early implementation of the network codes.

The regional Work Plans 2011-2014 shall remain in principle the main reference for the aforementioned regional projects. The Work Plans should be regularly updated, in order to reflect at all times the activities in progress and the projects planned, and provide accurate information on the state of play of regional activities. Such regular updates of the Work Plans 2011-2014 will be especially useful and relevant ahead of each Madrid Forum.









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