

Updated
Gas Regional Initiative North West
WORK PLAN 2011 – 2014

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1 Introduction

The Gas Regional Initiative North West

Within the Gas Regional Initiative North West (GRI NW), stakeholders of ten different countries¹ work together to further develop the gas market at a regional level. Until 2011, GRI NW focused on work that was chosen to undertake as a result of specific regional interest. These projects have focused on e.g. Transparency, Short Term Capacity and Investment. With the coming into force of the third package, important measures have been put in place that are to speed up the integration of a single European energy market. The third package states that Member States and National Regulatory Authorities (NRAs) are to cooperate with each other for the purpose of integrating their national market at one or more regional levels, as a first step towards the creation of one internal market. Also, Transmission System Operators (TSOs) have responsibilities in achieving regional market integration, while different European institutions (ACER and ENTSOG) exist as of 3 March 2011.

Recognizing the importance of the third package, stakeholders within GRI NW (May 2010) have reviewed the existing road map of the region and identified the forward plan of activity, giving a strong basis for future work. The revised road map envisaged **implementation work** as a distinct but complementary activity from the pro-active work undertaken in the past. In this matter, a co-ordination role in the implementation of European cross-border requirements is envisioned. For **pro-active work**, the revised road map envisages the further development of projects where there is regional value to be added.

The European Energy Work Plan 2011 – 2014

At the end of 2010, the European Commission has presented its view on the future role of the regional initiatives. In this document², it is envisioned that the regional initiatives should implement legislation based on the third package and that early implementation of those elements from network codes which can be expected to remain stable throughout the final stage of the adoption process should take place. Next to that, the European Commission envisions that pilot projects are performed on aspects such as market coupling.

On 18 April 2011, the European Commission has requested each regulator – under the coordination of the lead regulator – to contribute to the elaboration of the “European Energy Work Plan 2011 – 2014” for their region. This work plan should detail each step allowing NRAs to succeed in the achievement of a Pan-European Energy Market in 2014. The aim of the work plan is for each region to determine the steps allowing to reach the common goal for 2014. In the opinion of GRI NW, the roadmap of 2010 fits the expectations of both the European Commission and ACER with regard to the tasks of the regional initiatives. As such, this roadmap serves as the starting point for the European Energy Work Plan 2011 – 2014 for GRI NW.

¹ The Netherlands, France, Belgium, Luxembourg, United Kingdom, Germany, Denmark, Sweden, Ireland and Northern Ireland.

² Communication from the Commission to the European Parliament and the Council – future role of regional initiatives –.

The three-year work plan forms the basis for implementation work

According to article 6 (1) of Regulation (EC) No. 715/2009, the European Commission drafts an annual priority list identifying the areas to be included in the development of network codes. In the three-year work plan, relevant stakeholders have indicated at what moment in time each Framework Guideline and network code needs to be finalized and when the official comitology procedure will start. Given the nature of the three-year work plan, the steps that GRI NW will take with regard to at least the coordination of the implementation of network codes will be based on this work plan.

Stakeholder commitment is essential for success

The success of GRI NW depends on the commitment and willingness of stakeholders to participate in the work stream. Based on a road show (performed by the lead regulator) it was concluded in 2010 that several pilot projects in the past – despite best intentions – have not always delivered the tangible results initially expected. Also, with the coming into force of the third package, stakeholders – stakeholders that participate in consultations included – are faced with challenging tasks that put a strain on their resources. At the same time, market integration can only be achieved if all relevant stakeholders (especially TSOs) are involved in the regional process. In this matter, GRI NW should therefore find “the right things to do” and projects should only be performed if there is clear added value and sufficient commitment. As such, there needs to be a sign off for project deliverables.

Governance (structure) of the region

Within GRI NW, the following governance arrangements exist, whereby the different bodies meet several times a year. In addition, Member States and NRAs within GRI NW meet twice a year to discuss progress of work within the region. This structure will be revised in the future if this is deemed appropriate.

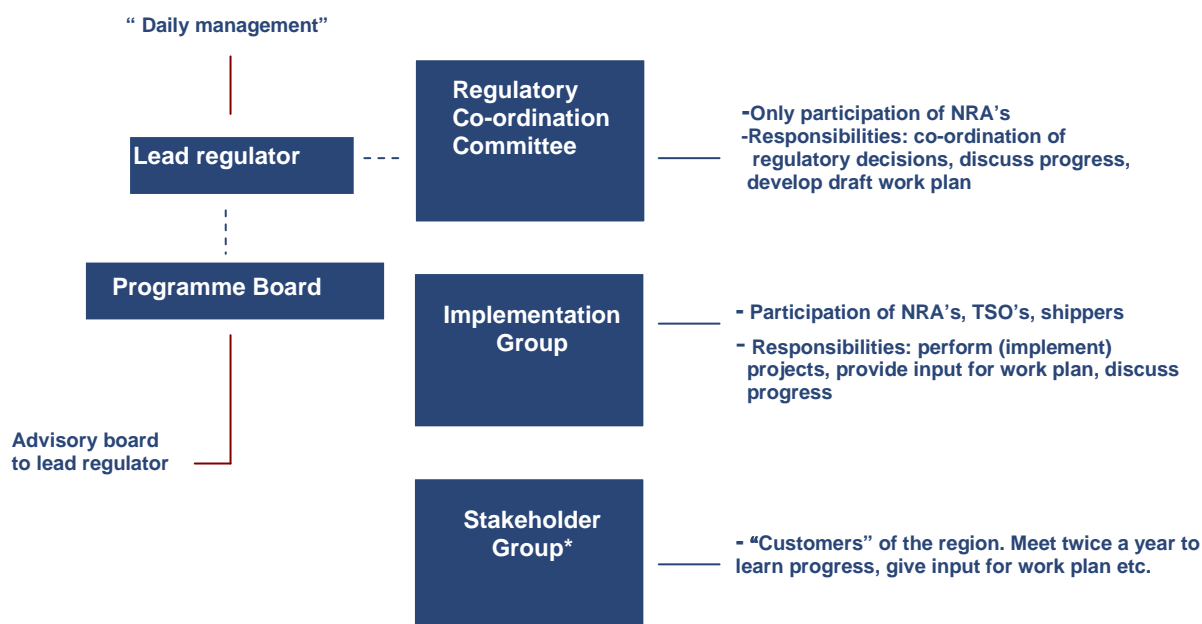


Figure 1: governance structure of GRI NW

2 Priorities and deliverables for 2012 – 2014

2.1 Priority I. Coordination of the implementation of network codes

A timely and efficient implementation of the network codes is an important step in the process to complete the internal market for electricity and gas by 2014. In this respect, stakeholders have a shared ownership towards the implementation of network codes and the regional initiatives – as suggested by the European Commission and agreed upon within GRI NW – will play an important role in this process. Despite the regional importance, the *actual* implementation of each network code will take place on a national level: Member States will be responsible for making changes to national law if needed, NRAs for adapting national codes if necessary and TSOs for technical/ operational implementation of the rules.

Although implementation of the rules itself will be done at a national level, the network codes can only have effect if the rules they contain are timely and correctly implemented in the same way at both sides of an interconnection point. Ideally, the network codes will have a sufficient level of detail and ENTSG is aiming to ensure that the proper level of detail exists. However, there could be certain network codes that – for whatever reason – need regional interpretation to ensure that the network codes are “fit for purpose”. Stakeholders can jointly elaborate this regional interpretation and monitor progress made at the regional level. Given these considerations, GRI NW will fulfil a co-ordinating role in the implementation of network codes.

Envisioned steps to coordinate the implementation of network codes

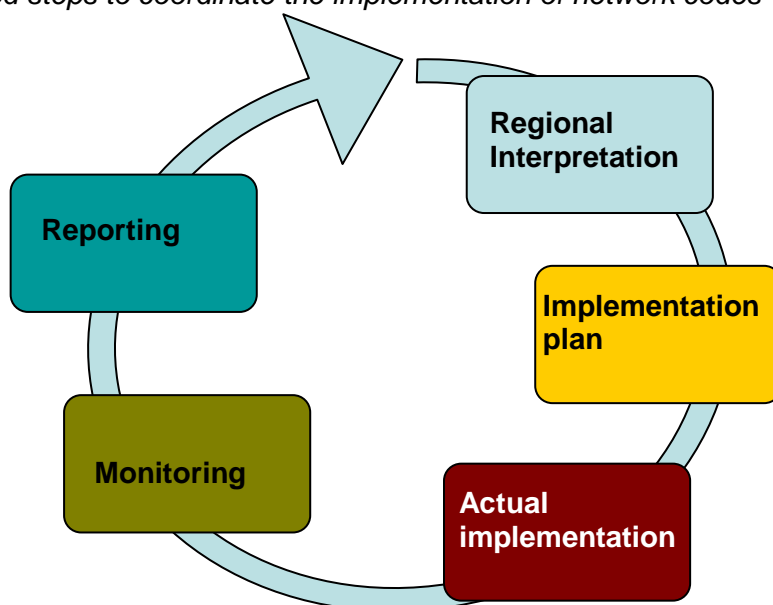


Figure 2: suggested approach for coordination of implementation of the network codes

In a nutshell, it is envisioned that these steps comprise the following:³

1. **Regional interpretation and drafting of implementation plan:** A specific Task Force (consisting of NRAs and TSOs representatives) shall assess whether a network code is ‘fit for purpose’ and – should this be necessary – find a shared regional interpretation. This regional interpretation should be applied by each TSO in the region as to ensure a consistent regional approach and stakeholders should have the opportunity to provide feedback on the proposed interpretation. In addition, TSOs could agree on an implementation timetable that ‘beats’ the deadline for implementation of the network code as defined in the Framework Guideline (‘speedy implementation’). This regional interpretation, but also lessons learned (“pitfalls”) that have come forward from experimenting with the implementation of certain elements of the network code or previous experiences from TSOs, should be incorporated in an implementation plan. As such, each TSO can take these lesson into account, it is expected that this will ensure a timely and correct implementation;
2. **Approval of ACER:** The proposed regional solution – if this would be elaborated – should be assessed by ACER and ENTSOG⁴ to ensure consistency across regions, and also to see whether a pan European solution is available;
3. **Actual implementation:** On a national level, TSOs, NRAs and Member States will ensure that the network codes are implemented in a timely an correct way;
4. **Monitoring and reporting on progress:** The Task Force will develop a format that will be used to monitor the progress of implementation in each country within the region. The information provided will be bundled in a progress report. The progress report will serve as guide to determine whether any action is needed as to ensure that the network code will timely be implemented on a national level and should identify obstacles and delays during the implementation period. The monitoring report should thus identify progress made, (impact of) obstacles faced and actions needed to ensure timely and correct implementation. The report is to be send to the European Commission, ACER, ENTSOG and the Member States.

Based on the three-year work plan, it is expected that the following network codes will be (early) implemented in the period 2012 – 2014: CAM, Balancing and Interoperability.

³ The final approach will be determined (before the first network code will be ready for implementation).

⁴ The ENTSO for Gas shall monitor and analyse the implementation of the network codes and shall report its findings to the Agency, the Agency shall also monitor and analyse the implementation of the network codes and report to the Commission.

Early implementation

Early implementation of (certain elements) of the network code can have a learning effect. Also, TSOs only have a certain period of time to implement a network codes and any mistakes will delay the process of timely for the reasons already mentioned. Early implementation can thus clearly has added value. Based upon experience so far, pilot projects for early implementation of (certain) network codes are usually performed by one or more regional TSOs. As such, the work plan will not contain any early implementation projects, though NRAs will facilitate where possible.

2.2 Priority II. Pro active work

Preamble

Given the fact that regional cooperation within GRI NW is a voluntary process, it is important that pilot projects⁵ that are launched within the region ideally meet a number of requirements:

1. Commitment of relevant stakeholders is needed;
2. There needs to be a realistic achievable goal;
3. There must be a foreseeable timeframe;
4. It should be beneficial to market and/ or FGL/NC discussion.

The following projects are currently performed within GRI NW:

2.2.1 Deliverable II.a: Making Gas Regional Investment Plan fit for purpose

Background to the project

According to the third Package, the Ten-Year Network Development Plans (TYNDP) should be developed at three levels: national, regional and European level. According to Article 8 of the Regulation (EC) n°715/2009, ENTSOG shall adopt a non-binding Community-wide TYNDP every two years. The Community-wide TYNDP shall build on national investment plans and take into account regional investment plans. Article 12 of the same Regulation states that TSOs shall establish regional cooperation within ENTSOG, to contribute to ENTSOG tasks: “In particular, they shall publish a regional investment plan every two years, and may take investment decisions based on that regional investment plan.”

⁵ Through regional pilot projects, important lessons on certain topics can be learned that can be taken into account when drafting a network code. However, this requires that such regional pilot projects are performed in a timely manner (well before the elaboration of a network code will start). Stakeholders recognize the added value of such pilot testing, but emphasize that regional projects and European projects do not compete with each other (in terms of outcome and resources), they should be complimentary.

Goal of the project

At the end of November 2011, the North West TSOs have published the first GRIP for GRI NW and a public consultation was announced. Recognizing the importance of the GRIP, it was agreed that NRAs and TSOs would ensure that the 2013 GRIP is “fit for purpose”. In this matter, it was agreed that NRAs would draft recommendation towards the regional TSOs with the aim to make the 2013 GRIP most ‘fit for purpose’, while TSOs would take these recommendations into account when drafting the 2013 GRIP. Also, it was recognized that stakeholders should be involved in the elaboration of the document.

Project approach and state of play

ACTION	RESPONSIBLE	DEADLINE
Drafting of first GRIP by TSOs and start of consultation	TSOs	Completed
Drafting of recommendations by RCC on possible improvements of the GRIP	RCC	Completed
Open dialogue on RCC recommendations	RCC and TSOs	Completed
Consultation on the outline and content of the 2013 GRIP (open for all stakeholders)	TSOs	April – May 2013
Elaborating the draft 2013 GRIP	TSOs	May- June 2013
Consultation of draft 2013 GRIP (open for RCC and GRI NW stakeholders)	TSOs	July – September 2013
Finalizing and publication of 2013 GRIP	TSOs	October 2013

2.2.2 Deliverable II.b: Identifying regional priorities for GRI NW

Background to the project

In the Gas Target Model, CEER has called upon each NRA – once the third package is implemented on a national level – to publish a review of the market liquidity and market integration regarding the national wholesale market by 31 December 2012. Next to that, it is recommended that each NRA explores whether additional measures are needed to improve the functioning of the wholesale market.⁶ Member States, TSOs and other interested stakeholders shall be involved in this work, within the framework of the Gas Regional Initiatives. According to the Gas Target Model, NRAs shall explore – where necessary for creating functioning wholesale markets – measures to improve market liquidity and degree of market integration. The respective Member States, NRAs and TSOs must implement the identified measures in the framework of the Gas Regional Initiatives by September 2014.

⁶ These measures may be of a national nature (such as mandatory release programmes), but could also include joint actions with neighbouring markets (improving the efficiency of interconnection arrangements or the creation of market areas or trading regions). A cost benefit analysis shall be carried out to assess the economic viability of any proposed measures.

Often for historical reasons, each national wholesale market within GRI NW has its specific (technical) characteristics and market design. As such, in order to review market liquidity and market integration on a national level, specific knowledge and know how is required of market liquidity of a national wholesale market. For this reason, a national NRA – in close cooperation with the national TSO(s) and exchange – is in the best position to perform such an analysis and determine whether any additional measures need to be launched to (further) improve the functioning of the national wholesale market. GRI NW cannot (and should not) determine what national measures should be launched in each Member State to improve the functioning of the wholesale market. However, GRI NW can itself perform regional projects that contribute to improving the wholesale markets on a regional level. The call upon NRAs in the Gas Target Model to review market liquidity and market integration provides a good opportunity to set this agenda.

Suggested goal of the project⁷

(NRAs within) GRI NW will elaborate a regional agenda – in close cooperation with stakeholders and Member States – that identifies regional priorities (for the upcoming years) to help further create/ connect functioning wholesale markets at regional level. This document should be based upon a national assessment of wholesale markets.

Suggested project approach and state of play

ACTION	RESPONSIBLE	DEADLINE
Finalize project plan and formation of core group	Programme Office	May 2013
Agree on common vision how functioning wholesale market is defined (and measured)	Core group	May – July 2013
Drafting of a questionnaire for monitoring functioning wholesale market on national level	Core group	July 2013
Monitoring (via indicators) to what extent each national wholesale market fulfils this definition	NRA (in cooperation with TSO(s), exchange)	August 2013
Written consultation procedure on monitoring report and suggested regional priorities	Core group	September – October 2013
Revisement and publication of regional priorities	Core group	Q4 2013 - Q1 2014

⁷ The project plan for this project is currently being drafted and discussed within the RCC and IG.

2.2.3 Deliverable II.c: Exploring the feasibility of implicit allocation

Background to the project

The Gas Target Model also calls upon NRAs to consider whether measures, such as implicit auctions, would improve the efficiency in the use of interconnection capacity. In this matter, ACM – in its role as national regulator – has commissioned a study to explore, as a first step, the feasibility of implicit allocation in the gas market. This report is now finalised. During the Gas Target Model discussions, it became evident that no clear “yes or no” exists about whether implicit allocation should be applicable in the gas market. Next to that, GRI NW is well suited for an pilot project on implicit allocation. It was therefore agreed that an RCC position paper would be drafted on the feasibility of implicit allocation in the gas market.

Goal of the project

In the position paper, NRAs within GRI NW explain whether they see added value (and under what conditions) to introduce implicit allocation in the gas market and – should this be the case – when this coupling mechanism should be introduced. Given the fact that the design of the mechanism is only relevant if there is an added value (and practical experiences seems to be needed to determine the design), the position paper will not answer the question what the implicit allocation mechanism should look like in details. However, the position paper will present the relevant design issues. The position paper is to serve as a point of departure – provided there is an added value to introduce implicit allocation – for a pilot project to explore the design of the implicit allocation mechanism to suit the (North West) European gas market.

Project approach and state of play

ACTION	RESPONSIBLE	DEADLINE
Discussion and structure of the position paper	RCC	Completed
Drafting of position paper	RCC	Completed
Public consultation and workshop	RCC and stakeholders	Completed
Presentation of preliminary conclusions during 10th Stakeholder Group meeting	RCC	Completed
Finalizing position paper and elaboration of Evaluation of Comments document	RCC	January – April 2014
Publication of position paper and Evaluation of Comments document	RCC	1ste week of May 2013

2.3 Priority III. Pre-comitology meetings on a regional level

The Framework Guidelines and network codes will have an impact on each national energy market. According to Regulation (EC) No. 715/2009, Member States are responsible for approving (or rejecting) the network codes through the comitology process. However, NRAs will be responsible for drafting the Framework Guidelines and TSOs for drafting the network codes. Given these different roles, NRAs, TSOs and Member States within GRI NW timely discuss – in an open dialogue – the content of each Framework Guideline and network code in so called “pre-comitology meetings”. Through the pre-comitology meetings, NRAs can explain the background to the principles that are in the Framework Guidelines, while TSOs can explain how the principles in a Framework Guideline are translated in a certain way in a network code. As such, Member States can not only gain a good understanding of the direction that each Framework Guideline and network code is going, it also enables them to timely communicate their opinion on the specific Framework Guidelines and network codes. In turn, this will enable NRAs and TSOs to timely take these considerations into account and also provides the opportunity to jointly identify regional aspects that should be addressed. Through this process, comitology procedures can take place efficiently.

Timing for pre-comitology meetings

For optimal outcome, the pre-comitology meetings should not take place too late in the process (leaving little room for any action), but neither should they be too soon (no clear view of content or stakeholders feedback is known). Taken these considerations into account, a Framework guideline or network code will be ideally discussed just after the consultation phase has been finished. Ideally, the pre-comitology meetings coincide with the already planned government meetings. In case this is not possible (e.g. due to planning), a special pre-comitology meeting will be organized and a proposal for additional meetings is now being prepared within the RCC.

State of play

Member States, NRAs and TSOs of GRI NW have discussed (at the end of November 2011) for the first time in an open dialogue the Framework Guidelines and network codes that are currently being drafted (through a pre-Comitology meeting). In 2011, two pre-comitology meeting in 2011 (the first had taken place in May 2011), while also two meetings have taken place in 2012. All these meetings have led to a better understanding in the positions of NRAs, TSOs and Member States towards the Framework Guidelines and network codes that are now being drafted. In the near future, monitoring the implementation of network codes will also be discussed.