

IOGP input on the EC public consultation on the establishment of the annual priority lists for the development of network codes and guidelines for 2016 and beyond

IOGP welcomes the opportunity to respond to the European Commission's proposed priority list regarding the development of network codes and guidelines for 2016 and beyond. We agree that the development of network codes and guidelines is an important action towards completion of the internal energy market.

IOGP wishes to limit its response to the rules concerning gas networks.

IOGP has very much appreciated the efforts led by the Commission, along with ACER and ENTSO-G, in the development of network codes. Discussion with stakeholders has been very constructive during the development of the meanwhile adopted network codes on CAM, Gas Balancing and Interoperability & Data exchange. Involvement of market participants is in our view essential to achieve high quality results and broad industry support.

Annual priorities for 2016

Regarding the priority list for 2016, priority must be given to the completion of open files and we therefore support the ongoing work on the Tariffs network code and on the CAM amendment related to Incremental Capacity.

During the development of the draft Tariff network code by ENTSO-G, IOGP has expressed concerns that the rules on cost allocation proposed in the network code on Tariffs could make it harder to complete the Internal Energy Market. Not only do the rules legitimise and perpetuate existing practices, but the real issues for cross-border trade are not addressed.

IOGP recommends a phased approach to the Tariff network code starting with swift implementation of the rules on transparency of the tariff methodology, consultation of the cost allocation decisions and publication of the tariffs in a timely manner. The second phase should then address the real issues such as how to remove barriers to cross-border trade, how to deal with stranded assets and how to facilitate entry/exit-zone mergers in line with the Gas Target Model.

We welcome the Commission's higher ambitions regarding the first phase and their efforts to reach a high-level compromise with ACER and ENTSO-G, while taking into account the concerns of stakeholders. However, we believe that stakeholders should be involved and consulted during the process as they are during the development of framework guidelines and network codes.

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Concerning the proposed amendment to the CAM network code for the allocation of 'new build' gas transmission capacity, we welcome the proposals for market-based investments. We agree that the rules for Incremental Capacity have a direct link to the Tariff network code since the incentive for network users to book long-term capacity depends on the tariff arrangements.

The Commission also proposes to develop an amendment proposal to the network code on Interoperability and Data exchange to establish a legal basis for the CEN H-gas quality standard, currently without the Wobbe index parameters. Also for this initiative IOGP believes that stakeholders should be involved and consulted during the network code amendment process.

Annual priorities beyond 2016

It is not evident that additional rules will be needed on top of the network codes that are currently adopted and under development. The remaining areas in which network codes can be developed according to Article 8(6) of the Gas Regulation are not areas where cross-border network issues and market integration issues currently require action to be taken.

Differences in interpretation and implementation of the agreed rules, as is the case with CAM and CMP, are undermining the effectiveness of the measures to achieve market integration. As an example, different interpretations on the amount of technical capacity at IPs by adjacent TSOs are causing implementation problems with the CAM network code. Considering that the CAM network is intended to result in efficient allocation and use of cross-border capacity these problems are undermining the objective of this code. We believe the Commission, ACER and national regulators should focus on effective implementation of the agreed rules and consult with network users across national borders.

In this context, implementation of the network codes may reveal inconsistencies between the different rules and the need to make amendments to the network codes. The Gas Regulation has certain provisions on future amendments of network codes, but we would welcome the development of an efficient process for making changes to network codes that is fit for purpose. IOGP welcomes and supports the ENTSOG process to discuss the network code implementation issues with stakeholders and identify practical solutions and hope that the Commission will continue to provide support to this initiative and - where needed - provide guidance to ACER and ENTSOG.

We look forward to a continued dialogue with the European Commission, as well as ACER and ENTSOG.

Best regards,

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