ERGEG Gas Regional Initiative

Report to Madrid Forum

February 2007

EXECUTIVE SUMMARY

ERGEG launched the Gas Regional Initiative (GRI) in April 2006. This is intended to establish functioning and effective regional gas markets as a step towards the development of a competitive single European market.

Since April all of the regions within the GRI have been set up; priorities have been identified and consulted on with stakeholders; and in some areas action are being taken to implement solutions. There are well targeted actions in all regions and in the coming months more action is expected, which combined with the work undertaken so far, will have a significant positive impact on creating regional markets.

ERGEG is committed to an open and transparent process regarding this initiative, including reporting on progress. This paper therefore summarizes, for the XII Madrid Forum, developments and progress since the launch.

Key messages

- **Significant efforts on a number of fronts to achieve single EU competitive markets**: Sectoral inquiry; strategic energy review; political initiatives.
- **GRI (and ERI) is one aspect of this**, with Regulators playing a very active role alongside stakeholders and TSOs.
- **GRI is a key vehicle for change:** it will deliver real and practicable improvements to the way in which energy markets work. It is an important step towards a single market. The key areas for improvements in the market are access to capacity, transparency of information, hub development etc. Many of these issues are complex and will take time to resolve, therefore realistic timetables are important as is the need for buy-in from the market participants to initiate change.
- **Already delivering in two main ways:**
  - GRI process has been established and workplans and timetables have been agreed
  - Some firm results are already being achieved – see key results below
- More will be delivered in the coming months - see going forward below.

DEVELOPMENT AND PROGRESS OF GRIs

- All four GRIs have been established
- North and North West Regions are being run jointly[1]
- The North West Region is the largest GRI group with 10 countries participating
- The process of including the new EU member states of Romania and Bulgaria (who will be invited to become members of ERGEG) into an appropriate region will be taken forward
- All RCCs have held meetings and IG and SG meetings have also been held in each region
- All RCCs have agreed priorities and action timetables for the next 12 months
- Priorities across the regions include transparency, development of hubs and access to capacity (see table 2 of main report for a full list of priorities)
- Some of the regions have already held workshops and consultations (transparency) and the North West is also establishing enabler Groups.

INVOLVEMENT OF STAKEHOLDERS, TSOs AND OTHER MARKET OPERATORS (E.G STORAGE, LNG etc)

- In each of the regions large numbers of stakeholders and TSOs have embraced ERGEG's GRI and become actively involved
- All RCCs have reported good participation in meetings by stakeholders and been pleased with their involvement in the development of priorities, consultation papers and questionnaires
- All TSOs and other market operators in each of the regions have been actively involved in developing the priorities and in some of the regions they are already progressing specific areas of work

KEY RESULTS

South

- The analysis of the current status of the infrastructure providing interconnection between France and Spain has been published by the TSOs concerned. This has outlined some actions that are now being taken or will be taken in the coming months to improve the provision of capacity between the connected systems.
- An initial analysis (to be extended in the future) of the new infrastructure requirements has been developed by IG members (2007-210 period). Shippers have also been consulted on this issue.
- The study of a practical transit case has been launched, in order to identify possible interoperability problems.
- A consultation on transparency was issued to shippers in line with the results of the ERGEG Transparency TF work on transport, LNG and Storage

South South East

[1] In the rest of this document the region will therefore be referred to as the North West region.

- In SSE NRAs collected data by means of a questionnaire focused on implementation of Directive 2003/55 and Regulation 2005/1775 and the actual development of liberalised gas markets in the region. This questionnaire also considered TPA, infrastructure and supply, transportation profiles and regulatory powers.
- Study of practical transportation case studies along the identified routes (see 2.11) to identify actual obstacles to trading and reasons for hub ineffectiveness were completed and discussed in a workshop with TSOs and representatives of network users.
- After a request shared by the first Stakeholders Group meeting some of the missing operational balancing agreements between TSOs of the region were prepared and are about to be signed.

North West

- The NW region issued questionnaires to the market on transparency, balancing, hubs and interconnections together with consultation on regulatory guidelines to help scope out the priority issues that were identified. These were sent to stakeholders, members of the IG and market participants. The response to these questionnaires was good.
- After considering the responses to the questionnaires (which were supplemented in some cases by interviews/discussions with stakeholders) the RCC produced a series of reports, facilitation papers and data appendices for a 2 day workshop with stakeholders in Bonn with the objective of identifying the next steps to develop solutions to the priority issues.
- The Bonn workshop was a significant step forward in the process and a number of proposals were made for concrete next steps which the RCC now needs to consider as an input to the development of Implementation Plans. These Implementation Plans will identify the next steps including proposals for change and responsibility for taking work forward.
- Following a proposal from EFET to look at the possibility of introducing day ahead capacity auctions at a small number of cross-border points, the TSOs have made available the initial results of their resulting feasibility study. The Bonn workshop discussed the next steps. Stakeholders expressed their support for the work. The main outcomes were that there is a need to define success criteria for the pilot study; there is a need for combined entry and exit arrangements; there should be firm and interruptible products offered; and the pilot needs to be of sufficient time to test the arrangements. Market operators indicated that a latest start date could be 1 April 2008. Market participants expressed a desire to move more quickly. All parties committed to work out the detailed next steps ahead of a follow-up workshop on 23/24 April. To help ensure progress relevant stakeholders have agreed to monthly meetings.

GOING FORWARD: The Next 6 Months

The European Commission has requested that ERGEG monitor implementation of the Gas Regulation (1775/2005). It is intended that each RCC will have an opportunity to comment on the level of implementation as part of this process and will be involved in the collation of reports from individual NRAs although the work will be coordinated at the ERGEG level.

South

- Interconnection capacity – the IG will continue developing the analysis on the future interconnection infrastructures needs, extending the study until 2015. SG will be consulted on the results from this analysis. .
- Interoperability – the SG with the support of the RCC will develop an analysis of the possible interoperability problems using practical cases of transit across the countries. The

results of this study will be used to identify the main interoperability problems. IG members will then develop an action to solve the concrete interoperability obstacles identified by June 2007.

- Transparency - develop an action plan based on results of consultation for the publication of information by TSOs, LNG operators and storage operators

South-South East

- The RCC of the Region is currently drafting studies on: Hubs as regional balancing points; a regional entry exit tariff system; a regional one-stop-shop provider.
- In a public consultation process, the stakeholders will have an opportunity to comment on these assessments and proposals by the regulators.

North-West

- The establishment of Enabler Groups to take forward key pieces of work
- Development of an implementation plans on some of the key priority areas including allocation of responsibility for improving:
  - primary and secondary interoperability at interconnections;
  - transparency across the gas market in the North West region
  - the operation and liquidity of gas hubs including trade between hubs
- Implementation of the results from the TSOs feasibility study on introducing day ahead capacity auctions
- Consultation on a draft code of practice for regulators to facilitate greater regulatory coordination

1. Introduction

1.1 The X Madrid Forum of 15-16 September 2005 called for, among other things, a further development of regional markets. Accordingly, in April 2006 ERGEG launched its Gas Regional Initiative (GRI)[2], which was welcomed by the XI Madrid Forum on 18-19 May 2006. This is intended to establish functioning and effective regional gas markets as a step, with a view to convergence towards a competitive single European market. ERGEG is committed to an open and transparent process regarding this initiative, including reporting on its developments. This paper therefore summarizes, for the XII Madrid Forum, developments and progress since the launch.

1.2 A full description of the rationale for, and details and ongoing progress of the GRI can be found on the ERGEG website[3]. A summary description of the Gas Regional Initiative is given in Annex A and Action Plans for each of the regions are provided in Annex B.

2. Developments and progress

Summary position

2.1 *South South East Region*

The **1st RCC Meeting** of the SSE Region was held on 1st June 2006 in Rome. In this meeting, all NRAs of the region were present and committed to actively contribute to the work of the REM. The outcome of this first meeting was:

- a tentative list of priorities for the SSE Region, including:
  - Monitoring of regulatory involvement in compliance with the Gas Regulation
  - Practical case study: transport of gas through the region for specific transport profiles by fictive shippers
  - Transparency requirements covering access to storage and hub services
  - Interoperability issues
- a time-schedule for the initial phase of the REM SSE;
- the decision to draft a questionnaire to be completed by the NRAs regarding implementation of the Acquis Communautaire, the actual development of gas trade in the REM, and the remaining barriers;
- the decision to prepare a Consultation Paper (CP) for the Action Plan (AP), to be presented and discussed with the Stakeholders (see below).

The **2nd RCC Meeting** on July 13, 2006 in Vienna, served to approve both the Questionnaire and the CP, and discuss the consultation phase for the AP. NRA's were given about 7 weeks to fill the Questionnaire and Stakeholders were given a similar time to react on the CP.

---

[2] There is also an ERGEG Electricity Regional Initiative (ERI) which was launched in February 2006. Details on the ERI can be found on the ERGEG website.

[3] http://www.ergeg.org/portal/page/portal/ERGEG_HOME/ERGEG_RI/GRI

The CP was presented to the IG in the **1st IG Meeting** on the same day. IG members could deliver their first comments on the presentation of the Consultation Paper and raise other questions relating to the organisation of the GRI/REM process. About 50 participants from almost all TSOs took part. The GRI was generally welcomed although several critical issues were raised.

In the **3rd RCC Meeting** on September 26, 2006 in Bratislava, the comments on the CP received from 14 Stakeholders were discussed and summarised. Questionnaires were also summarised. It was decided to refine the questionnaire on the level of implementation of regulation 1775/2005/EC, in order to achieve a more consistent overview, and a new deadline was set (Oct. 30th).

About 90 delegates attended the **1st SG meeting** on September 27, 2006; comments to the CP were discussed and a Document containing the conclusions of the Consultation Process was published shortly after the meeting on the ERGEG website. This Document is the AP for the SSE REM.

The **4th RCC Meeting** and a **Workshop of the IG** on the transportation routes took place on 24th November.. In the RCC Meeting, an updated checklist on compliance with the regulation was presented. It was decided to continue to monitor the progress by means of the checklist, with a view to including the changes that are expected in several countries after 1 January 2007.

AEEG, AGEN and E-Control presented an update of studies on the introduction of a regional entry exit system, the role of hubs as balancing points, and the one stop shop provider. The deadline for completion of preliminary studies was set as 15 January 2007.

In the IG Workshop the refined checklist was presented to TSOs and its follow-up was announced. The main focus of the workshop was the analysis of the six transportation routes. The following issues were discussed with TSOs and SSOs, and representatives of network users (EFET, Eurogas, Eurelectric):

- Availability of capacity at section entry
- Contractual requirements (transportation contracts counterparts)
- Regulation adequacy
- Tariff level and transparency
- Conflict resolution adequacy
- Availability of upstream gas
- Downstream price regulation problems
- Balancing requirement problems
- Availability of storage and flexibility services.

Results will be summarised in written assessments of each route, to be drafted soon.

Following requests at the previous IG and SG Meetings that missing OBAs in the region be completed, it was announced that the agreement between the Czech and Slovak TSO had been approved and was about to be officially signed within a few weeks.

2.2 *South Region*

On 11th September 2006, the **1st RCC** of the South GRI was held. At the meeting the organizational rules were set out. The intention was that this would allow the initiative to operate in a fluent manner and agree the roles and responsibilities of the different sub-group and the working methods. This meeting was the starting point of the process addressed to identify the main obstacles and to define the priorities to be tackled, in order to define the action plan to be followed during the next years.

Ten days later, on 21st September, the **1st IG** meeting took place. The RCC chairs presented to the Transmission Storage and LNG Operators, the Regional Initiative: foundation, aims and organizational procedures, and highlighted the key role that IG members have to play in this process. The IG Group was asked to actively support the Initiative and to make their best efforts so that the objective is achieved in the next future. During the meeting, there was an in-depth analysis of the obstacles and priorities. The number of meetings is small compared with other GRIs because most of the coordination needed within the RCC group, and even with TSOs, is done without the needs of specific meetings (e-mail and telephone consultation), as there are only two countries involved at present .

The RCC members developed a document, containing the draft action plan of the South GRI, taking into account opinions of regulators, LNG, storage and transmission operators. In the third meeting of this Initiative, the 1st SG meeting held on 3rd October, shippers, consumers, relevant European representatives (EFET, EUROGAS, EURELECTRIC), and Ministries participated in the discussion on priorities. This allowed the RCC to get the inputs from any representative concerned by the South GRI. Consultation process on the draft action plan was conducted, and the final action plan to be undertaken in the future was done in collaboration with interested stakeholders.

The **2nd IG** meeting was held on 11th December. The members of this group presented the current situation in terms of capacity between their respective systems, distinguishing between winter and summer periods, and taking into account the mainly technical restrictions for those capacities. TSO's committed to providing an analysis on the future interconnection capacity needs, to be circulated prior to the next SG meeting.

During the **2nd SG** meeting on 6th February 2007, a first assessment on the future interconnection capacity needs, from now to the year 2010, was presented by TSO's. This study will be extended to the period 2006-2015 during the next months. Shippers have now been consulted about this matter. Concerning interoperability, a study of a particular transit case has been launched in order to identify possible interoperability problems between systems.

2.3 *North-West Region*

A practical decision has been made to join the North and North West regions, which were originally intended to be separated after the first phase. Most parties envisioned that separation at this stage would mean loss of work and considerable loss of progress. Each year the members of the North West Region: Netherlands (Chair), Germany, France, United Kingdom, Belgium, Ireland, Denmark, Sweden, Northern Ireland, aspirant member Poland and observer Norway will look at the advantages and effectiveness of the region and if necessary propose changes.

The North West region held their **1st RCC** meeting on the 28th of June. The priorities where discussed and agreed at this meeting and later approved at the **1st IG** meeting on 18 July with an amendment to combine the primary and secondary markets and to also take up investment under regulatory coordination. There was a further 2 RCC meetings and a **2nd IG** meeting on 10th October to consult on the actions of the papers.

The **1st SG** meeting on the 9th of October was attended by approximately 120 interested parties from shippers to ministries, but also the RCC and IG members were present for discussions. The SG discussed the priorities in a plenary session, in which the participants focused on ambition and action. Each priority was discussed in smaller workshops to ensure appropriate level of consultation. The published questionnaires were disseminated for discussion and the stakeholders and operators discussed timing and actions to be taken.

To begin 2007 in the right manner the first meeting will be held in Bonn and will involve SG, IG and RCC members. At these workshops the priorities will be discussed in-depth and will lead to joint conclusions.

EFET proposed a daily auction of unused capacity in the **1st SG** meeting, which has been taken up by the IG members to be researched. The outcome of this study has been discussed with EFET and has been disseminated on the ERGEG website. Further discussion will be held at the workshops in Bonn

The priorities' work plans and timeplan of the 5 agreed priorities are now in the final stage and first actions have started. The action plan on the 6th priority, gas quality has been postponed to early 2007 due to remarks from both the IG and SG on the proposed questionnaires. The fact-finding stage is almost complete. The results of the questionnaires that were issued will be used to develop a draft report to be discussed in Bonn

Table 1 - Summary Gas Regional Initiatives Developments since June 2006

Table 1 – SUMMARY PROGRESS

	Process			Priorities		Action plan and timetable established ?	Written (Extensive) consultation undertaken or planned ?
	Number meetings held :			Identified ?	Consulted with Stakeholders ?		
	RCC	IG	SG	Y/N	Y/N	Y/N	Y/N
South	1[4]	2	2	Y	Y	Y	Y
South-South East	4	2 IG +WS	1	Y	Y	Y	Y
North-West	3	2 + WS	1	Y	Y	Y	Y

[4] Although only one official RCC meeting is referred at this point, given the fact that, at present, only two regulators take part of this Committee, the French and Spanish regulators, it is easy for the RCC components to coordinate between themselves without the need to organize specific RCC meetings, i. e. before SG and IG meetings or by teleconference.

Consultation processes

2.4 *South South East Region*

The SSE GRI issued a questionnaire for data collection. This questionnaire for data collection about the national gas markets in the REM South South-East comprises 5 sections dedicated to investigate 1) implementation of the requirements of the Gas Regulation 1775/2005 and compliance with Directive 2003/55/EC, 2) TPA use and practice, 3) the nature of current gas infrastructure and supply, 4) transportation profiles and 5) regulatory powers. The Questionnaire was not directly addressed at market participants, but at NRAs, which could in turn contact TSOs and market participants for data collection, if necessary. This data is collected for internal use only and serves as an assessment of the basic features and shortcomings of the regional market. After data collection by the regulators TSOs where invited to comment on this evaluation.

The Action Plan/Consultation Document (GRI-SE-RCC-02-04) comprised an introduction to the ERGEG RI Concept and the REM SSE as well as a brief assessment of the gas market situation and main deficiencies of the gas markets per country. The focus of the Action Plan and the core content of the consultation with stakeholders were the priorities for the region and the proposals for an Action Plan. The Action Plan was presented to the IG on July 13, 2006 and Stakeholders were invited to comment on the regulator's proposals over the summer. Their comments were discussed in the SG Meeting on September 27, 2006. After that a Consultation Summary was prepared by the Co-Chairs of the region and published on the ERGEG website.

Details on the list of priorities and the Action Plan for the coming months can be found in Sections 2.11 and Annex B of this document.

2.5 *South Region*

The South has not issued any specific consultation documents yet. However, all the documents discussed during the South GRI meetings, the written opinions of any agent and the minutes of the meetings are regularly uploaded to the ERGEG website, to provide all the participants, and anyone interested in the progress of the Initiative, with the most updated documentation. The limited number of countries involved in this Regional Initiative could be seen as an advantage from an organizational point of view, i.e. for the consultation processes.

The Action plan to be followed during the next years, is available to view on the website, and contains issues, the obstacles identified, the definition of priorities and the list of concrete actions with a tentative implementation timetable.

2.6 *North West Region*

The priority papers with time schedules have been put on the ERGEG website and have been discussed by the RCC, IG and SG. The RCC has also asked interested parties to react to the plans bilaterally by mail.

At the beginning of November questionnaires on transparency, balancing, hubs and primary markets were sent to Stakeholders, members of the IG and market participants. Responses were requested by mid December. They were also published on the ERGEG website to ensure that all parties had access to the questionnaires. Over 40 responses were received to the transparency questionnaires alone. The IG will also issue two questionnaires of their own on hubs and regulatory coordination.

2.7 ERGEG has sought to make the GRI processes transparent through its website. The ERGEG website[5] now contains a section devoted to the GRI. This contains summary information relating to the Regions as a whole, plus folders devoted to each REM and meetings. ERGEG intends to retain this as a major element in its commitment to transparency and openness in pursuing the GRI. The website has been restructured to better suit the second phase of the Regional initiatives – this revised structure is being rolled out for all of the regions...

European Commission and Member State governments

2.8 The European Commission has expressed its support and commitment to the aims and process of the GRI. Commission representatives have participated in a few meetings and have been informed about the developments by e-mail and consulting the website.

2.9 Member State governments have equally been involved in the process. Following the launch of the GRI, each regulator contacted its relevant ministry or ministries in order to inform them of the aims and process of the GRI, and to invite their active support. Following this, most regulators have maintained active bi-lateral contacts with Member State representatives regarding the GRI. Member State representatives have also participated in most Stakeholder Group meetings. The North/North West Region intends to organise a separate meeting for the ministries.

Role of TSOs

2.10 TSOs in all of the Regions have welcomed the Initiative and many of them have actively participated in the meetings and discussions. They are supportive of the initiative and see a need for appropriate consistency in approach and solutions adopted. In addition they have assessed action plans and in many cases commented on feasibility. Most importantly however, the TSOs have in all regions taken up actions and been keen to implement work plans.

Some TSOs in all regions have raised expressed concerns about parallel developments in the three regions (for example the need to ensure consistency) and have questioned the need for any regional rules or guidelines, which they consider obstacles and not stepping stones towards the integrated EU market.

Priorities and action timetable

2.11 All regions have now discussed and agreed the broad set of priority topics to be addressed in each of the regions, together with a timetable of actions needed to produce remedies. Table 2 summarizes the priority topics and timetables across the gas REMs.

South-South East Region

Primary work areas:

The work programme of the SSE REM up to December 2006 comprised:

5 www.ergeg.org

- a monitoring exercise to identify shortcomings in the implementation of the requirements of the Regulation 1775/2005;

- a preliminary assessment of transportation routes through the region showed that there are impediments on these routes hindering liquid trading activities. In an IG meeting on 24 November 2006 in Vienna, each of these transport routes was analysed in detail with the relevant TSOs. The following routes have been chosen
  - UKRAINE-SK-CZ-GER (Velke Kapusany - Waidhaus or Hora Svate Kateriny)
  - UKRAINE-SK-A-SI-I (Velke Kapusany - Goricia)
  - UKRAINE-SK-A-I (Velke Kapusany - Tarvisio)
  - UKRAINE-SK-A-GER (Velke Kapusany - Oberkappel)
  - BELARUS-PL-GER(Kondratki – Mallnow)
  - ALGERIA-I-(SI)-A-SK–(CZ) (Mazara-Tarvisio-Baumgarten- Velke Kapusany or Waidhaus or Hora Svate Kateriny).

Secondary work areas:

Regulators plead to prepare the following three studies by end-January 2007:

1. Assessment of the role of hubs as regional balancing points
2. Survey on requirements to introduce a regional entry-exit system
3. Survey on requirements to introduce a one-stop-shop provider acting as an agent for cross-border shippers

The work programme for the next 12 months will largely depend on the results of the monitoring exercise and the workshop on the transportation routes as well as on the results of the surveys.

Three main market barriers have been identified in the SSE REM so far following a preliminary assessment. First, interoperability issues are generally hindering competition in the region and enforcement of OBAs is seen as a necessary step to provide for more liquid trading activities. Some of such OBAs are missing and should be implemented as soon as possible.

Second, as has been assessed by a questionnaire, the requirements of the Regulation 1775/2005 have not been fully implemented. Full implementation is considered a key factor for progress in the region.

Third, as has been identified by a preliminary case study on specific transportation routes through the region, the development of a liquid wholesale market is hindered by:

- long-term contracts;
- the difficulty of finding more upstream gas supplies;
- lack of harmonization between market rules along the routes;
- lack of available capacity along some segments of the routes.

South Region

The key work areas identified by the South GRI are the following, listed by order of priority: Interconnection capacity

- Interoperability
- Transparency
- Implementation of the Directive
- market opening; and
- the Development of hubs.

The first three priorities could be considered as the primary areas of work. They will be the focus of work for the first year. For a detailed description of the priorities see below, Annex B.

The participants of this Initiative have already undertaken some work, mainly identifying the current status of the interconnection infrastructures, as the starting point to evaluate the future needs for interconnection capacity that would allow the regional market to develop. Not only Transmission operators but also SG members will be involved in this task during the following months. Concerning the Interoperability priority, a study of practical cases of transit between countries has been launched at the beginning of 2007, with the aim to identify possible interoperability problems. This will allow the Group to design, in a second step, an action plan to overcome them. Transparency is also being analyzed during the first half of 2007.

The lack of interconnection capacity has been identified as the main obstacle to creating a further market integration between Spain and France. The existence of sufficient accessible interconnection capacity between countries is a prerequisite for market development. To achieve this it is necessary both to enhance investment in new interconnection capacity and to maximize the efficient use of existing interconnection capacity. In line with the first issue an appropriate coordination between the relevant TSOs regarding the investment in infrastructure on both sides of the border would be necessary in order to synchronize their plans. Regulatory coordination is also crucial for investment in European gas infrastructure because many major investments will have a regional implication (for example a pipeline crossing different regulatory jurisdictions). With regard to the second issue, congestion management procedures need to be implemented and coordinated so that trade and competition are not distorted.

North West Region

The following priorities have been identified and agreed for the North and North West regions:

- Primary and secondary markets
- Transparency
- regulatory coordination including investment issues

- gas balancing
- development of hubs
- gas quality

So far the consultation on the 6 action plans has taken place and the first fact finding stage is almost finished. Questionnaires have been sent out and answers have been received. The first reports with conclusions will be discussed in Bonn.

Table 2 – Summary of priority topics

	Priority topics
South France, Spain Portugal	• Interconnection Capacity • Interoperability • Transparency • Implementation of the Directive – Market opening • Development of Hubs
South-South East Austria, Czech Republic Greece, Hungary, Italy Poland, Slovakia Slovenia.	• Practical Transportation cases • Transparency • Interconnections --- • Hubs • Regional entry exit system • One Stop-shop
North-West Netherlands, Belgium, France, Ireland, Germany, Denmark, Sweden, Northern Ireland, GB, Poland (observer status at present)	• Primary and secondary markets • Transparency • Regulatory Coordination • Gas balancing • Development of Hubs • Gas Quality

Notes:
Although some of terms used in the table above are different they relate to the same issue. For example: the work on interconnection capacity (South), practical transportation cases (South South East) and primary and secondary markets (North West) are all looking at the issue of provision and availability of pipeline capacity. Similarly, the work on interoperability (South), interconnections (South South East) and gas quality (North West) are all looking at similar issues.

Coherence and convergence

2.13 Bearing in mind the overall long term aim of creating a single EU wide competitive gas market, it is important that the gas REMs adopt coherent solutions to the identified issues and that regional integration converges towards overall EU market integration. ERGEG has therefore sought to put in place mechanisms to monitor these issues and so encourage coherence and convergence. ERGEG consultations set broad frameworks for the treatment of certain issues across the EU, for example concerning balancing market integration and transparency. Overall monitoring, discussion and exchange of experience is also maintained at the ERGEG and working group level. ERGEG plans to address coherence issues more directly during 2007. This will include publication of a coherence and consistency report on the GRI.

2.14 The table below shows some further details on the specific work being undertaken on common priorities.

Table 3: Work on transparency, interconnection, interoperability and hubs across all the regions

Priority	achievements	actions planned
Transparency		
South South East Region	▪ Assessment of the status of implementation of Directive 2003/55/EC and Regulation 1775/2005 ▪ Workshop on Transportation Cases	▪ Monitoring ▪ If necessary: notification to Ministries, Madrid Forum, European Commission ▪ Public consultation ▪ Final Report
North West region	• Questionnaire send to TSO's on consistency of information • Questionnaire send to SG • Non confidential reactions to questionnaires on website	▪ Workshop on transparency in Bonn
South Region	• A consultation on transparency has been issued to shippers once the results of the ERGEG Transparency TF were available.	• Develop an action plan based on the results of the consultation to shippers.
Interoperability		
South South East Region	• Completion of operational balancing agreements is a priority. One stop shop and entry exit studies will propose further harmonisation between TSO procedures (e.g. harmonizing the gas day)	
North West Region	• The matter of interoperability is being taken into account in the priorities gas balancing, gas quality and interconnections.	• Implementation plans will be developed in which interoperability will be taken into account.
South Region	• The study of a practical transit case has been launched, in order to identify possible interoperability problems. SG is leading the study	• IG members will develop an action plan to solve the concrete interoperability obstacles identified.
Interconnection		
South South East Region	▪ OBAs to be concluded by the end of January ▪ Assessment of transportation routes viability	▪ Monitoring by RCC ▪ Public Consultation ▪ Final Report

Priority	achievements	actions planned
	▪ Studies on regional one-stop-shop provider and entry-exit system	
North West Region	▪ Questionnaire send to IG and shippers ▪ Feasibility study of EFET proposal on daily cross border capacity auctions of unused capacity by TSO's	▪ Workshop on primary interconnection, secondary markets in Bonn ▪ Workshop on daily cross border capacity auctions of unused capacity in Bonn
South Region	▪ The analysis of the current status of the interconnection infrastructures has been issued by the TSOs. ▪ A first study on new infrastructure needs has been presented by IG members (2007-2010 period). ▪ SG is being consulted about new interconnection need.	▪ The IG will extend the analysis on the future interconnection need (until 2015). ▪ SG will be consulted during this process.
Hubs		
South South East Region	▪ Study on hubs as regional balancing points	▪ Public consultation ▪ Final report on hubs as regional balancing points
North West region	▪ Questionnaire send to SG	▪ Workshop on Hubs development in Bonn
South Region	▪ Outstanding	▪ Identification of possible barriers to the development of gas hubs ▪ Monitoring the development and evolution of spot gas markets ▪ Facilitate the development of gas hubs.

Ongoing issues

2.15 The regions have all adopted ambitious workplans to overcome the problems that have been identified in consultation with market operators and stakeholders. It will be vital that there is ongoing commitment from all parties (including regulators) to provide the necessary resources and support to ensure that each of the regions delivers on their identified workplan.

Within the North-West region the RCC has assessed that although their wish is now to continue as one region for the foreseeable future, the regions large size could become an issue for the ongoing effectiveness in delivering on the workplans. It is now foreseen that the smaller Enabler Groups made out of operators and stakeholders will help ensure progress and momentum is maintained.

In the South region, Portuguese participation in the coming year is considered crucial to achieve successfully a Regional market, as the Portuguese market will be partially opened up to competition next year for the biggest customers.

Concerns have been raised by some stakeholders and operators about the level and number of questionnaires that have been issued in some regions. ERGEG recognises that commitment to the GRI entails resource commitment for stakeholders and market operators. ERGEG welcomes the input that has been provided so far. Decisions and solutions that are based on evidence and information provided by stakeholders and market operators should be more robust and appropriate to the situation faced. Therefore the input of stakeholders and market operators is crucial to the success of the GRI. Therefore the call for action and quick progress by stakeholders has to be balances against the appropriate amount of analysis and buy in of those for example that have to comment on reports and deliver actions. ERGEG will monitor the number of requests for information/response to consultation that are generated by the various regions and will where possible minimise the burden on stakeholders consistent with the successful delivery of the project.

3. Concluding Remarks

3.1 The GRI has achieved a number of key results in its short period of operation. The first of these was the identification, consultation and agreement of the priorities. All regions have also developed detailed workplans for the next six months. These identify the tasks that will be undertaken and the responsibility for delivering the work.

3.2 Work is ongoing on delivering these workplans:

- Questionnaires have been issued to and completed by stakeholders
- Consultation papers have been published (by both regulators and market operators);
- Workshops have been held;
- case studies have been undertaken;
- action and implementation plans are being developed; and
- proposals for real and practical improvements are being assessed.

3.3 The continued success and delivery of the GRI (over the next 6 months and beyond) will depend on:

- Continued involvement and support of stakeholders
- Those best placed to foster changes and improvements (particularly market operators) actually delivering
- Continued political support
- Effective management to ensure decision and solutions are implemented.

Annex A - Summary description Gas Regional Initiative

1. ERGEG originally identified 4 regional gas markets, each with an identified lead regulator. The North and North West regions were subsequently merged to create a single North-West region .

Region	Countries	Lead Regulator
South	Spain, France, Portugal	Spain
South South East	Austria, Czech Republic, Greece, Hungary, Italy, Poland, Slovakia, Slovenia	Austria & Italy
North West	Germany, Denmark, Netherlands, Sweden, Belgium, France, GB, Ireland, Northern Ireland, Poland (aspirant member at present).	Netherlands

2. ERGEG's intention is that each of these regions forms a platform where relevant parties - regulators, market participants, consumers, Member States, the European Commission, and other stakeholders – can be brought together in order to identify and remedy barriers to progress towards competitive gas markets in each region. Action and input will be required from all these parties if progress is to be made

3. The focus is on the practical issues that are most important to the further development of effective competition. Progress under the GRI is also intended to recognize the over-riding principle that regional markets must be compatible with the eventual goal of a single European market.

4. Accordingly, the regulators in each region plus a representative of the European Commission have formed a "Regional Co-ordination Committee" (RCC), chaired and administrated by the lead regulator. The RCC has a primary role in bringing together the other relevant parties, ensuring that all parties have a voice and are consulted, and in pushing forward the necessary actions to agreed timetables.

5. In each region, groups have also been established for stakeholders and for network operators. The Stakeholders Group in each region is intended to act as an arena and focal point for collecting and disseminating views from all interested stakeholders regarding the ways in which the regional market may be further developed. Formal meetings of the Stakeholder Group will be a principal forum for the expression of stakeholders' views.

6. Given the principal role of TSOs and the likely need for them to undertake action to implement solutions to market problems in a region, an Implementation Group ('IG') comprising TSOs and other market operators as necessary, as well as regulators, has also been established in each region.

Annex B - timetables and priorities

SOUTH REGION

<table>
<tr><th>Action</th><th>Responsible</th><th>Tentative deadline</th></tr>
<tr><td colspan="3"><u>PRIORITY 1</u>. Interconnection capacity
TSO's of countries involved in this Regional Initiative should coordinate in order to establish the map of capacity for the next years. They will undertake actions 1 and 2, assisted, where necessary, by SG members. The results of their work will provide RCC with valuable information in order to decide on further measures (action 3) to make possible the development of new infrastructure and to maximize the use of the capacity.</td></tr>
<tr><td>Action 1. Analysis of the current status of the interconnection infrastructures. (France-Spain)</td><td>TSO's</td><td>November 2006
IG meeting 11th December 2006</td></tr>
<tr><td>Action 2. Analysis of the future interconnection infrastructures need.(France-Spain)</td><td>TSO's, with the support of SG.</td><td>April 2007
Shippers questionnaire along January
SG meeting 6th February 2007</td></tr>
<tr><td>Action 3. Decision on further actions to make possible new infrastructure projects develop in practice and on further actions to manage possible congestions, taking into account the functions and powers of each regulator</td><td>RCC in close coordination with IG</td><td>To be determined</td></tr>
<tr><td colspan="3"><u>PRIORITY 2</u>. Interoperability
The RCC members will develop an initial analysis of the possible interoperability problems, by the means of the study of practical cases of transit among the three countries France – Spain, Portugal – Spain, with the support of SG and IG. This should reveal the main interoperability problems that may hamper the efficient trade between countries. From the information gathered from the previous action, IG members should elaborate an action plan to solve the concrete interoperability obstacles identified.</td></tr>
<tr><td>Action 4. Study of practical cases of transit, with the aim to identify possible interoperability problems.
4.1. France-Spain
4.2 Portugal-Spain</td><td>SG members with support from RCC</td><td>4.1. March 2007
SG meeting 31st January 2007
May 2007 comments from SG
4.2. To be determined</td></tr>
<tr><td>Action 5. Study and action plan to solve interoperability problems, taking into account the result of the previous action</td><td>IG</td><td>June 2007 (agreement on action plan France- Spain)</td></tr>
<tr><td colspan="3"><u>PRIORITY 3</u>. Transparency
Taking advantage of the work undertaken by ERGEG Transparency TF and shippers point of view, regulators will identify main transparency requirements in transport, LNG and storages.</td></tr>
<tr><td>Action 6. Study of the existing level of transparency and future or further capacity needs by the market</td><td>RCC (with the support or IG and SG members)</td><td>February 2007
Consultation with shippers</td></tr>
</table>

<table>
<tr><th>Action</th><th>Responsible</th><th>Tentative deadline</th></tr>
<tr><td></td><td></td><td>along March 2007</td></tr>
<tr><td>Action 7. Action plan for the publication of information by TSO's, LNG operators and storage operators</td><td>IG</td><td>April 2007 (action plan)
SG meeting: June- July 2007</td></tr>
<tr><td colspan="3"><u>PRIORITY 4</u>. Implementation of the Directive. Market opening
Regulators should monitor the practical implementation of the Directives provisions and the enforcement of the Regulation on conditions for access to the gas transmission networks, not only in a formal way but bearing in mind the implications that different levels of implementation or dissimilar interpretations of certain provisions could have in the accessibility of the markets.</td></tr>
<tr><td>Action 8. Analysis of possible barriers derived from the lack of implementation of the Directives and the Regulation on transmission.</td><td>RCC</td><td>December 2007: Review
Measures to be taken along 2008
IG meeting: 12th December 2007</td></tr>
<tr><td colspan="3"><u>PRIORITY 5</u>. Development of hubs
Gas hubs should be developed in response to demand and should be based in market solutions, but it is important to ensure that there are no barriers to the development of gas hubs.
As it was pointed out during the meetings the current degree of OTC markets in Spain and France, could lead, once created the conditions for gaining liquidity in the Region, to the automatic development of a gas hub. The initial work to be done by the GRI is to monitor if the actions done to gain liquidity and increase competition in the region tend to lead to the natural development of a gas hub. If in the medium term, these measures fail, further steps could be needed.</td></tr>
<tr><td>Action 9. Facilitating the development of gas hubs.</td><td>RCC</td><td>Monitoring along 2007 and 2008
Measures to be taken along 2008</td></tr>
</table>

SOUTH –SOUTH EAST REGION

Action	Responsible	deadline
PRIORITY 1. Practical Transportation Cases Practical transportation case studies along different transportation routes to identify actual obstacles to liquid trading and reasons for hub ineffectiveness.		
Preliminary Analysis of the situation on the different transportation routes	RCC	October/November 2006 IG WS on 24 November 2006
IG Workshop on Transportation Routes: discussion of the findings of the RCC	RCC+TSOs+ network user organisations	24 November 2006
Detailed Assessment of the situation on the 6 routes	RCC completed	
public consultation	RCC+TSOs	March 2007
publication of the final document	RCC	30 March 2007 (SG Meeting)
PRIORITY 2. Transparency Monitoring of the requirements of the Regulation 1775/2005		
assessment by questionnaire	RCC + TSOs	completed
regular monitoring by updating the checklist in RCC Meetings	RCC	ongoing
notification of lacking implementation to Ministries/Madrid Forum/EC	RCC	if necessary
PRIORITY 3. Interconnection The completion of OBAs is necessary for more liquid trading activities and TSOs have been urged to conclude such agreements		
Completion of OBAs and notification of implementation dates to Regulators	TSOs	in progress, expected by end 2006
Monitoring	RCC	February 2007
Clarification of possible implementation deficits	RCC+TSO	February 2007 (Madrid Forum)
PRIORITY 4. Hubs Assessment of the role of hubs as regional balancing points.		
Draft Analysis	AGEN + RCC	end January 2007
Public Consultation	RCC	March 2007[
Discussion of the document with SG	RCC+SG	30 March 2007 (SG Meeting)
Final Report on Hubs as regional balancing points	RCC	April 2007
PRIORITY 5. Regional entry-exit tariff system Analysis of the benefits, costs and requirements of introducing a regional entry exit system.		
Draft Analysis	AEEG + RCC	end January 2007
Public Consultation	RCC March 2007 [	
Discussion of the document with SG	RCC+SG	30 March 2007 (SG Meeting)

Action	Responsible	deadline
Final Report on a regional entry-exit tariff system	RCC	April 2007
***PRIORITY 6*. One-Stop-Shop** Survey on requirements to introduce a one-stop-shop provider acting as an agent for cross-border shippers.		
Draft Analysis	E-Control + RCC	end January 2007
Public Consultation	RCC **March 2007**	
Discussion of the document with SG	RCC+SG	30 March 2007 (SG Meeting)
Final report on a one-stop-shop provider	RCC	April 2007

NORTH -WEST REGION

Actions and deadline	What	Who	Who to	Deliverable	status
November 2006					
Questionnaires:					
8 november Questionnaire send to IG and shippers	**Primary** & secondary markets	CRE, BNETZA and DTe	To IG and shippers	Questionnaires	Done
8 november Questionnaire on consistency of information published	Transparency	OFGEM, DTe and TSO's and Sweden	To TSO's	Questionnaires	Done
8 november Questionnaire on other transparency requirements	Transparency	OFGEM, Sweden, DTe and stakeholders	To SG	Questionnaires	Done
8 november Questionnaire on gas balancing	Gas balancing	OFGEM, DTe and TSO's and shippers	To TSO's and shippers	Questionnaires	Done
20 november Questionnaire on views on barriers to development of liquidity	Hubs	DERA, DTe, SG	To SG	Questionnaires	Done
30 november Questionnaire on issues faced by TSO's and shippers	Regulatory coordination	IG	To IG and shippers	Questionnaires	Done
30 november develop an understanding of each NRA's current powers (=Matrix).	Regulatory coordination	OFREG, CER	Input for workshop Bonn	Matrix of powers and regulatory overlap	Done
December					
20 December workshop on daily cross border capacity auctions of unused capacity	**Primary** and secondary markets	IG and EFET, observers DTE and BnetzA			Event
29 December feasibility study of daily cross border capacity auctions of unused capacity	**Primary** and secondary markets	IG	RCC/EFET/SG	Advise on feasibility	Done

Initiate high level consultation on regional code of practise	Regulatory coordination	Ofreg, CER	To regulators	Draft Regional principles leading to draft regional guideline	done
Actions and deadline	**What**	**Who**	**Who to**	**Deliverable**	**status**
Report on questionnaires filled in by regulators (September 2006)	Transparency	OFGEM and Transparency TF	To regulators of ERGEG	Report by TF transparency ERGEG	Late, Questionnaires filled in by NRA's, Report to be published by ERGEG at Madrid Forum
Letters to major stakeholders	Organisational	DTe	To IG/SG	Letters	Done
January					
update ERGEG site to be more transparent	Organisational	DTe	To SG/IG	update ERGEG site	(Ongoing process) ERGEG site restructured and updated
Draft discussion papers on basis of questionnaires:					
25 January Outcome analysis questionnaires	Transparency	OFGEM	Input for workshop	Draft discussion paper	Done, see facilitation paper and data compendium
Actions and deadline	**What**	**Who**	**Who to**	**Deliverable**	**status**
25 January Outcome analysis questionnaires	Gas balancing	Ofgem and BNETZA	Input for workshop	Draft discussion paper on balancing regimes with presentation of	Done, see facilitation paper and data compendium

				the barriers to trade caused by the interaction of different balancing regimes	
25 January description of status of hubs	Hubs	DERA	Input for workshop	Overview of key findings	Done see Hubs Report
Actions and deadline	**What**	**Who**	**Who to**	**Deliverable**	**status**
25 January Hub and market operator's views on barriers	Hubs	Hub and market operators	Input for workshop	Overview of first outcomes	Done see operators paper
25 January Outcome analysis questionnaires and implementation plan	Hubs	DERA	Input for workshop	Draft discussion paper based on first fact-finding	Done see Hubs Report
25 January Interim best practice report	Primary and **secondary** markets	DTE	Input for workshop	Best practise draft discussion paper for discussion in workshop	Done see secondary market report
29 January Analyses of input from draft Regional principles; questionnaires to market and matrix of regulatory powers. The whole serves as input for regional code of practice.	Regulatory coordination	CER and OFREG	Input for workshop	Draft discussion paper with summary of key cross border issues. The whole serves as input for regional code of practice.	Done, see matrix of powers and operators issues (and slides workshop)
30 January Outcome analysis questionnaires	**Primary** and secondary markets	CRE and BNETZA	Input for workshop	Draft discussion paper	done, see primary market report. Report was later due to huge data

					assessment and late questionnaires
February					
1st of February monitoring progress	Organisational	DTe	**ERGEG website**	**progress report**	**Done (This is the progress report!)**
8/9 February Workshops in Bonn	All priorities ex. gas quality	All regulators, all lead IG, all lead SG	All stakeholders	Report workshop outcomes	Event
Actions and deadline	**What**	**Who**	**Who to**	**Deliverable**	**status**
15 February	Gas quality	Creg and OFGEM	RCC	New gas quality workplan	Draft Actionplan, might be postponed to 15th of march
20/21 February Madrid forum	GRI	RCC		Sheets for Madrid forum	event
28 February Newsletter	Organisational	DTe	To SG/IG	Newsletter	
March					
March 1 Monitoring progress	Organisational	DTe	**ERGEG website**	**progress report**	
discussion papers are redrafted into draft implementation plans on basis of discussions in workshop Bonn:					
March 1 draft Implementation plan	Gas balancing	Lead regulators	RCC and EG members	draft Implementation plan to address the priority issues identified and substantiated by	

				stakeholders including MS (Member States)	
March 1 draft Implementation plan	**Hubs**	Lead regulators	RCC and EG members	Draft implementation plan	
March 1 Draft implementation plan for improving primary and secondary capacity availability by RCC	**Primary** and **secondary** markets	Lead regulators	RCC and EG members	Draft implementation plan with time schedule which will differ for primary and secondary markets	
March 1 draft Implementation plan to improve transparency based on fact-finding	Transparency	Lead regulators	RCC and EG members	Draft implementation plan with time schedule	
March 1 Development of Conclusions paper and if deemed necessary draft guidelines (for inclusion in Code of Practice)	regulatory coordination	Lead regulators	RCC and EG members	Draft conclusion paper and regional code of practise for regulators	
Actions and deadline	**What**	**Who**	**Who to**	**Deliverable**	**status**
Consultation period within RCC, IG and EG:					
7 march RCC	All priorities	**RCC**		discussion of draft implementation plans and discussion on code of practise proposal for workshops on 23/24 April and which issues to be	event

				discussed	
14 march draft implementations plans to IG members and member states	All priorities	RCC	IG		
20/21 march IG and RCC - Member States meeting (20 afternoon, 21 morning)	Organisational	DTe		Discussion on role of government in implementation plans	Event, invitations to be send
21 march final comments by EG members, IG and memberstates	All priorities	IG, SG	**To RCC**	Final comments on implementation plans	
30 march finalisation implementations plans for written approval to RCC	All priorities	Lead regulators	To RCC	Final concept implementations plans by April 4th	
April					
Monitoring progress	Organisational	DTe	**ERGEG website**	**progress report**	
Implementation plans:					
2 April start of implementation on approved papers					
6 April approved RCC papers to workshop participants	April workshops		ERGEG website	Consultation	
23-24 April Workshops Comments by relevant stakeholders on chosen issues	Implementation plans of 5 priorities	IG, SG	workshops	Issues to be discussed with stakeholders	
Actions and deadline	**What**	**Who**	**Who to**	**Deliverable**	**status**
May					
Monitoring progress	Organisational	DTe	**ERGEG**	**progress**	

			website	**report**	
June					
Monitoring progress	Organisational	DTe	**ERGEG website**	**progress report**	
Implementation plan for improving secondary capacity availability for written approval	Primary and **secondary** markets, regulatory coordination	DTe	To RCC	If possible already on 2 may RCC	
July					
Monitoring progress	Organisational	DTe	**ERGEG website**	**progress report**	
September					
Monitoring progress	Organisational	DTe	**ERGEG website**	**Progress report**	
RCC/ IG					
October					
Monitoring progress	Organisational	DTe	**ERGEG website**	**Progress report**	
SG	All priorities	DTe			
November					
December					
RCC					
January 2008					
Establish a process of regional coordination	Regulatory coordination	RCC			

According to the final implementation Plans timetable for May-December 2007 will be adjusted.