Gas Regional Initiatives (GRI) – Progress Report

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Gas Focus Group (GFG)

XIV Madrid Forum, 22-23 May 2008

Agenda

- Ø Introduction: coherent priorities
- Ø Progress report and best practices
  - Ø South-South-East GRI
  - Ø North-West GRI
  - Ø South GRI
- Ø Summary and outlook

Priority issues coherent across the REMs

- **Priorities** are same across the three Regional Energy Markets (REM):

  - **Interconnection and capacity**: enhancing the efficient use of existing pipeline capacity and facilitating development of new interconnection capacity
  - **Transparency:** increasing transparency of capacity and flows in order to achieve a level playing field
  - **Interoperability:** improving the interoperability (including gas balancing) to facilitate cross-border flows

- **Solutions** may differ due to existing market conditions in regions

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South-South East GRI

Overview and Priorities

Regional TSO Cooperation

- Standardised bulletin board
- Regional Infrastructure Planning
- Implementation of IPAs/OBAs
- Implementation of Easee Gas Codes
- Interconnection (OSS, R-ISO,..)
- Regional Entry Exit Tariffs (REETS)

Regional Market Integration

- CEGH and PSV as Regional Balancing Points
- Study on practical market entry barriers by PWC

Regional Network of Regulators

- Cooperation to harmonize the Regulatory Framework

Capacity: Standardised bulletin board

- Roll-out of bulletin boards across all TSOs in the region to increase transparency of secondary market capacity according to recommendations on architecture, design and contents

Country	TSO's	Sept. 2006 bulletin board	March 2008 bulletin board
Austria	TAG GmbH	Yes	Yes
Austria	BOG GmbH	Yes	Yes
Austria	OMV Gas GmbH	No	Yes
Czech Republic	RWE Transgas Net, s.r.o	Yes	Yes
Greece	DEPA	No	Not found
Hungary	MOL Földgázszállító Zrt.	No	Not found
Italy	Snam Rete Gas S.p.A.	Yes	Yes
Poland	Gaz-System S.A.	No	Yes
Slovak Republic	SPP preprava, a. s.	No	Yes
Slovenia	Geoplin plinovodi, d.o.o.	No	No*
		40%	80%

***: Geoplin plinovodi, d.o.o. announced the introduction of a Bulletin Board after updating its operating rules for secondary markets**

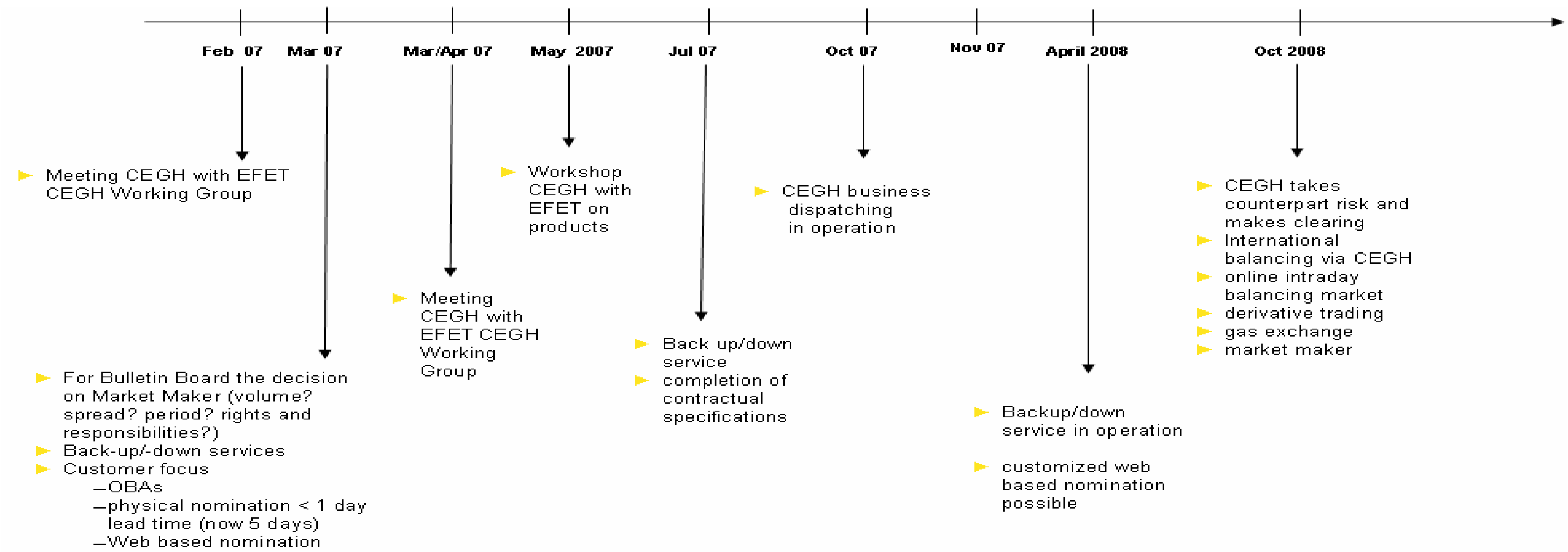
Interoperability: Conclusion of IPAs/OBAs

- Conclusion of Interconnection Point Agreements (IPAs) and Operational Balancing Agreements (OBAs) facilitates shipping and trading of natural gas at cross Border Points
- Regional "EASEE-gas workshops" to facilitate implementation of CBPs
- RCC is pushing for a rapid conclusion of these arrangements
- Obstacles: TSOs resistance towards signing of IPAs/ OBAs in Baumgarten

Interconnection point (GTE map)	affected TSOs	reported status	actual implementation?
Lanzot (54)	**RTN - eustream**	**under negotiation**	
Hora Svate Kateriny (22b)	**RTN - WINGAS**	**in place**	J
Waidhaus (24)	**RTN - EON GT, GDF DT**	**under negotiation**	
Oberkappel (25)	**BOG - EON GT, GDF DT**	**under negotiation**	
Velke Kapusany (55)	**NAFTOGAZ - eustream**	**in place**	J
Tarvisio (49)	**TAG - SRG**	**under negotiation**	
Murfeld (51)	**OMV - GEOPLIN**	**in place**	J
Gorizia (48)	**GEOPLIN - SRG**	**under negotiation**	
Baumgarten (55)	**eustream - OMV, TAG, BOG**	**under negotiation**	

Hubs: Regional Balancing Points in SSE

- Implementation of Regional Balancing Points at the two gas hubs in the region until 2008
- 2 work streams have been set up:
  - **PSV, Italy**
  - **CEGH, Austria**



Regional TSO Cooperation

Recommendations on regional cooperation in the following areas where it delivers the greatest benefits to <u>market integration</u>

- Access to capacity/Congestion Management at Cross Border Points
  - Management of capaciy (“one-stop-shop” and other interconnection agreements)
  - Easier access to the systems through Interconnection Point Agreements
  - Harmonisation of services
- Merging of balancing zones to foster wholesale trading
- Regional investment planning to remove physical congestion with clear roles and responsibilities
- Cost / Benefit analysis of the EFET proposal on a R_ISO

Next Step: TSO will sign a MoU on Regional Cooperation covering the identified issues

SSE Network of Regulators

- Main areas:
  - Co-ordination, information and harmonisation
    - Regulatory Co-ordination
    - Regulation of the Gas Market
    - Sharing of Information
    - Consultation
    - Avoidance of Inconsistency of Action

  - **Next steps**: signing of a MoU (Cooperation agreement between NRAs similar to the one signed by the NW GRI)

North-West GRI

Overview and Priorities

NW GRI

- Priorities redefined in April 2008
- Focus on 2 priorities:
  - **<u>Transparency</u>**
  - Access to **<u>capacity</u>**
- Lower immediate priority for balancing, gas quality and hubs
- To achieve these priorities, a **<u>new organisation structure</u>** has been established:
  - A '*Vision and Roadmap for GRI NW*' adopted in April 2008 by stakeholders (see next slide)
  - Memorandum of Understanding (MOU) signed by regulators in October 2007

Planning and Management

NW GRI

'**Progress**: **'Vision and Roadmap 2008-2012'**

- Provides a **vision**, with the period to 2012 as principal focus, and a clear **roadmap** to deliver that vision
- Makes proposals for more **focused work** in order to accelerate **real progress**
- Reflects the general **consensus** among stakeholders on the **main priorities** for the GRI NW (transparency and capacity)
- Sets out an improved organisation and **management approach**:
  - At *programme level*: establishes a high level **Programme Board** with senior stakeholder representatives
  - At *project level*: organising each strand of work into projects, with project managers accountable to the Board
  - *Policy decisions* are taken by the Regulatory Coordination Committee (RCC) under the MOU

Transparency

NW GRI

- **Progress**: Guidance to implement and restrict the application of the "minus 3-rule" adopted in 2007

- **Transmission transparency project** ongoing and to be completed by end 2008
  - **Progress:** All major TSOs in the NW GRI have now joined the project
  - **Next steps**: Initial improvements on the publication of data at interconnection points (TSOs report expected May 2008)
  - Regulators are closely monitoring implementation of the project

Capacity and Investment

NW GRI

- **<u>Progress</u>** towards access to existing capacity:
  - Secondary day-ahead capacity project went live on May 14th in Bunde / Oude Statenzjil (Dutch-German border). Trading platforms are operated by trac-x and APX. Ellund (Danish-German border) should join the pilot after the summer
  - IP meeting in February in Paris looked at progress on transparency and booking procedures at two interconnection points
  - A project for the possible implementation of flow commitments at the Dutch-German interconnection points is being developed
- **<u>Progress</u>** towards investment in new capacity:
  - 1st coordinated open seasons at Blaregnies/Taisnières (French-Belgian border) under way
- **<u>Next steps</u>** outlined in the Roadmap include:
  - Developing compatible short-term capacity products and bundled capacity products

South GRI

Overview and Priorities

- Wide range of issues are being tackled, including:
  - **<u>Interconnection capacity investment</u>:** assessment of interconnection capacity needs by Open Seasons, allocation of existing interconnection capacity based on Open Subscription procedures to develop new capacity between France and Spain
  - **<u>Interoperability</u>:** OBAs at interconnection points and CBPs implementation
  - **<u>Transparency</u>:** specially significant with regard to new interconnection capacity
  - **<u>Hubs</u>** (Mibgas)**:** to foster hubs, harmonization of regulation between Portugal and Spain

S GRI

Development of new capacity

- **Progress**: upgrade of the interconnection capacity between Spain and France

  - Joint investment plan for the Spanish-French interconnections published in July 2007 by adjacent TSOs, updated in March 2008
  - Open Subscription Procedure has been developed by TSOs
  - General agreement to develop Open Seasons (OS) to assess market needs for new interconnection capacities between France and Spain
  - Study on investments until 2015 between Spain and Portugal published in February 2008 . No further need identified for new interconnection capacity

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Capacity Allocation

S GRI

- **Progress:**
  - Development of harmonized CAMs, based on an open subscription period (OSP), for the French-Spanish new interconnection capacity currently under construction. OSP finalised by TSOs and sent to Stakeholders for comments. 8 responses received. Comments are being analysing in order to complete the procedure.
  - Regulation published by the Spanish Ministry in December 2007 to allow OSP at interconnection points. New Ministry order to be published soon to define aspects in detail.
- **Next steps** (roadmap for next years):
  - First OSP to be held in Q3 2008 for long term and short term capacity bookings
  - OS to be held in Q4 2008

Interoperability, Transparency and Hubs S GRI

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- **Interoperability**
  - **Progress**: TSOs' operational agreements (OBAs) regarding pressure at French-Spanish interconnections
  - **Next steps**: Spain and Portugal analysing modification of Network code to implement EASEE-gas CBPs
- **Transparency. Progress**
  - Analysis performed by Regulators on information published by TSOs, LSOs and SSOs. Transparency status complies with the Regulation 2005/1775/EC
  - An interconnection status records published since December 2007 to make public the development of the new infrastructures. Information is updating each six months
- **Hubs** (Mibgas). **Progress:**
  - Portuguese-Spanish Government Agreement to develop an Iberian Gas Market (MIBGAS) integrated in the S GRI
  - General Principles and Organization Model of the MIBGAS approved by regulators in January 2008 after public consultation
  - Developed a detailed agenda for future work

S GRI

High Level Group meeting

- **Second High Level Group Meeting** (European Commission, governments, national regulators, TSOs) in Madrid on 19 February 2008
- **Progress**: Participants reassert final objective is an internal market for gas and electricity for the whole of the EU. (Participants of the MIBGAS and North West regional initiative should ensure that they develop in a compatible way)
- **Next steps**: Meetings of the high level group will continue to be held approximately every six months

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Summary and Outlook

Is progress satisfactory or could we do better?

- **Stakeholder and political involvement** remains key
  - Acceptance to implement priorities needs to be improved with **clear commitments** from all participants
  - Political involvement can provide a push for progress (e.g. Governments in S GRI)
- **Governance structures** need to be considered
  - Effective implementation of Regional Cooperation of TSOs and Regulators needs clear structures within the new European Framework (ACER, GTE+)
  - Memorandums of Understanding are already a useful tool for different regions

Summary and Outlook

Is progress satisfactory or could we do better?

- **Focus and prioritization** can help ensure success of the GRIs
  - E.g. “Roadmap” in NW GRI reflects general consensus on the main priorities for the region
- **Monitoring progress** will continue
  - Monitoring of progress against agreed objectives and timelines is crucial
  - Transparency in projects and achievements will allow exerting peer pressure where necessary

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Thank You

More information on the

Regional Initiatives is available at

www.energy-regulators.eu

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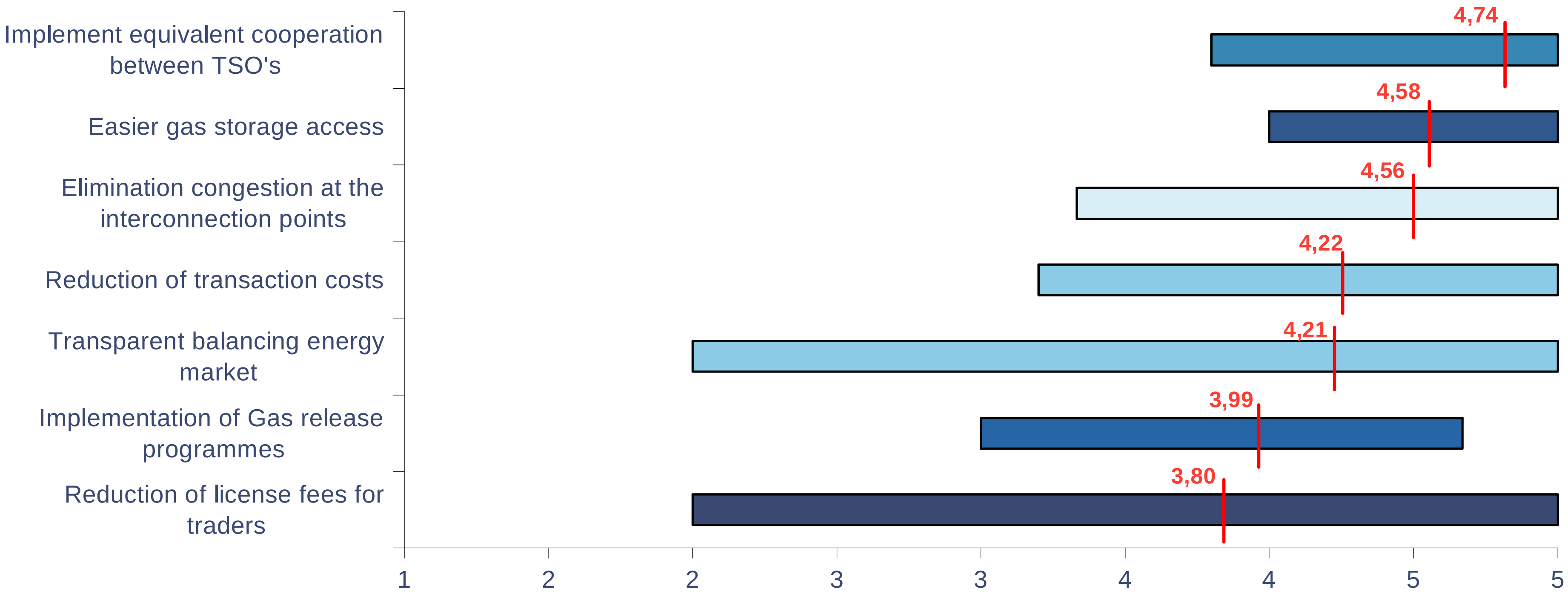
Appendix -
SSE Trader Survey Gas 2008 - PwC

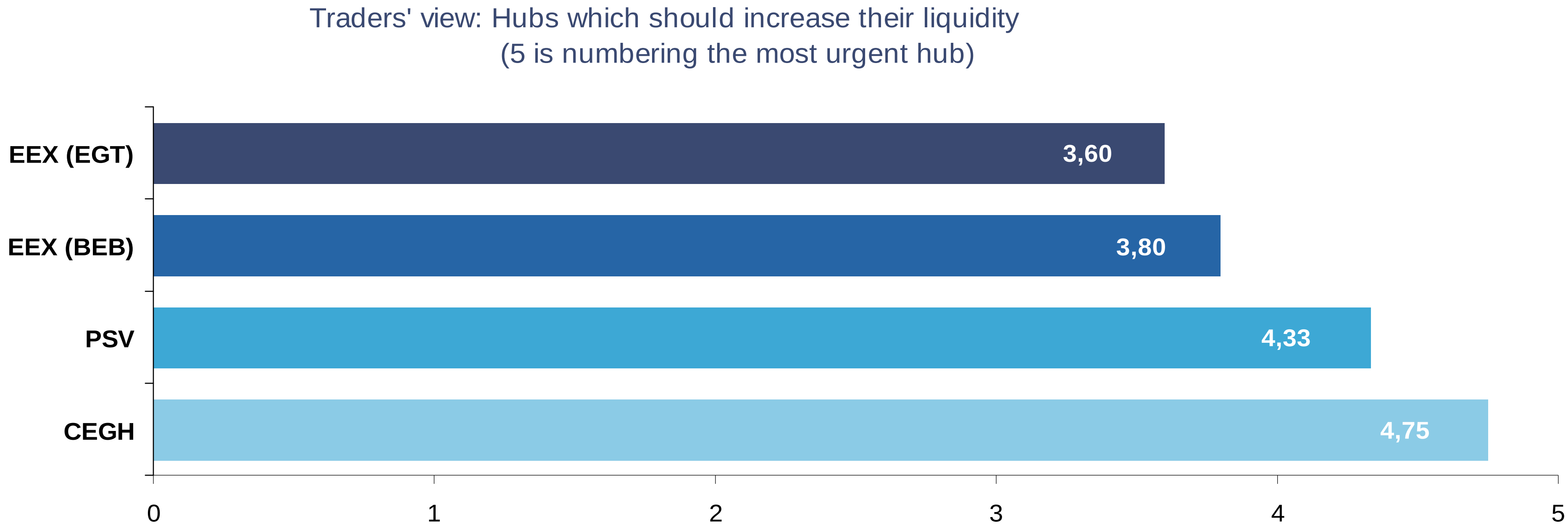
Highlights – SSE Trader Survey Gas 2008 - PwC

- Congestion at almost all borders and acquired transit capacities are often not used (86%)
- Intransparent market in the entire region (prices, storage access etc.)
- traders welcome an entity to coordinate transportation capacity
- traders are in favour of an international independent coordination office for balancing energy in the region
- Hubs have to improve their liquidity and information management
- Balancing energy should be organised via hubs
- Lack of standardisation concerning procedures, information, licensing standards and IT systems hamper trade

Ranking of measures
(min/max and average quotations, 5 is most urgent measure)

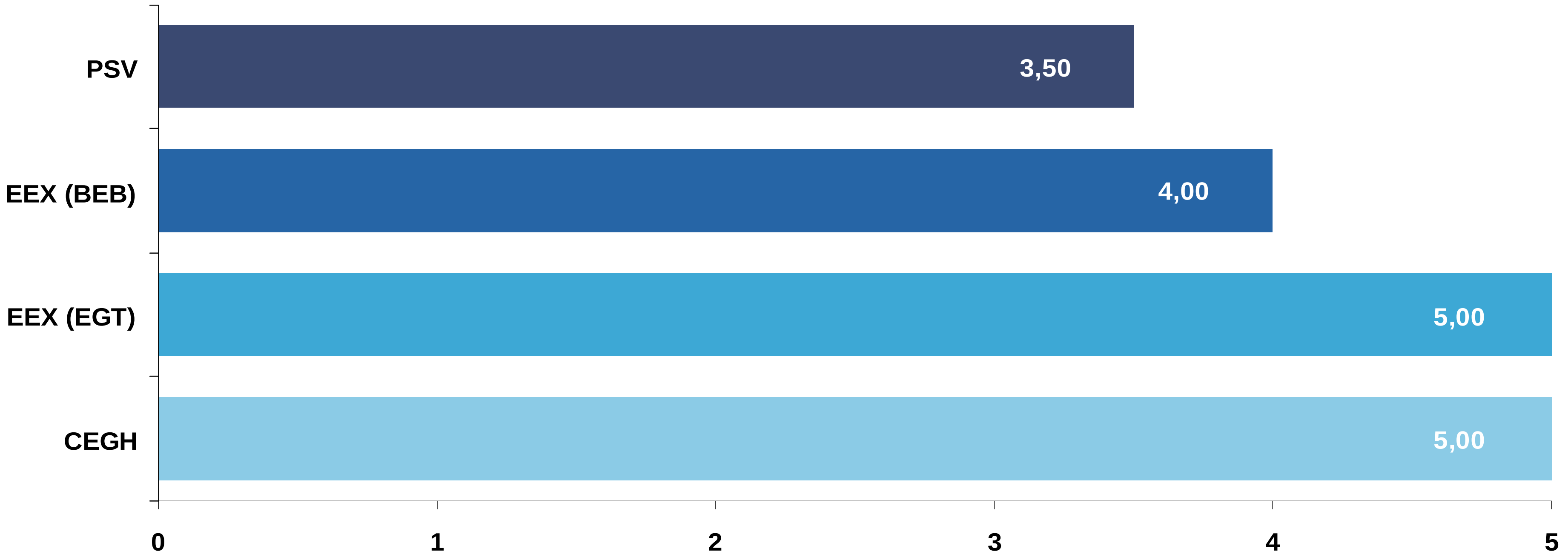


There is a need to increase the liquidity at all hubs, especially the CEGH and PSV hubs should ameliorate their trading volumes



Traders have problems with the access to transport capacity at the CEGH and EGT hubs

Traders' view: Hubs ranked after urgency for easier access to transport capacity
(5 is numbering the most urgent hub)



All hubs should be embedded in a regional balancing energy market. The traders favourites are EGT and CEGH.

Traders' view: Hubs to be embedded in surrounding balancing energy markets