



European Energy Regulators' approach to developing codes and rules

Mr. Walter Boltz
ERGEG's
Gas Focus Group (GFG)

Development of codes and rules

EREG has suggested improvements to the 3rd package approach to developing harmonized codes and rules ^{*)}

- Legally binding rules
- Early clarification of scope and policy decisions
- More efficiency for modification process

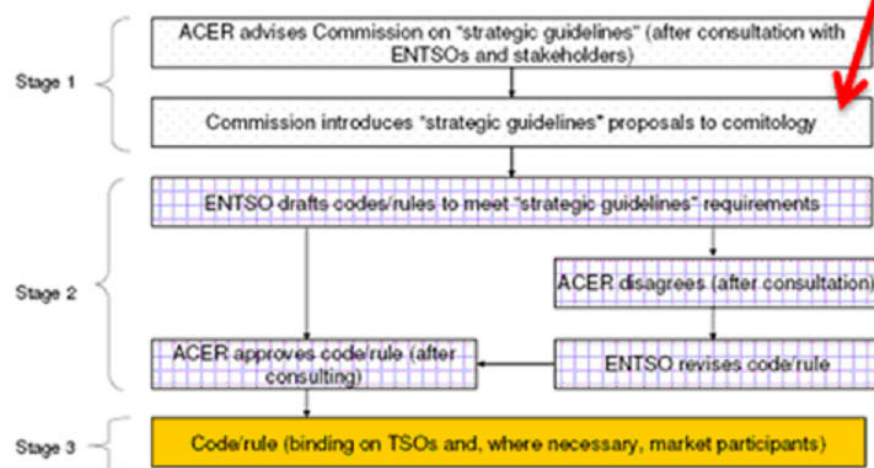
Strategic Guidelines

- Providing guidance for drafting of detailed codes by ENTSOG or others
- Setting out the general objective, level of priority, roles and responsibilities for each code or rule

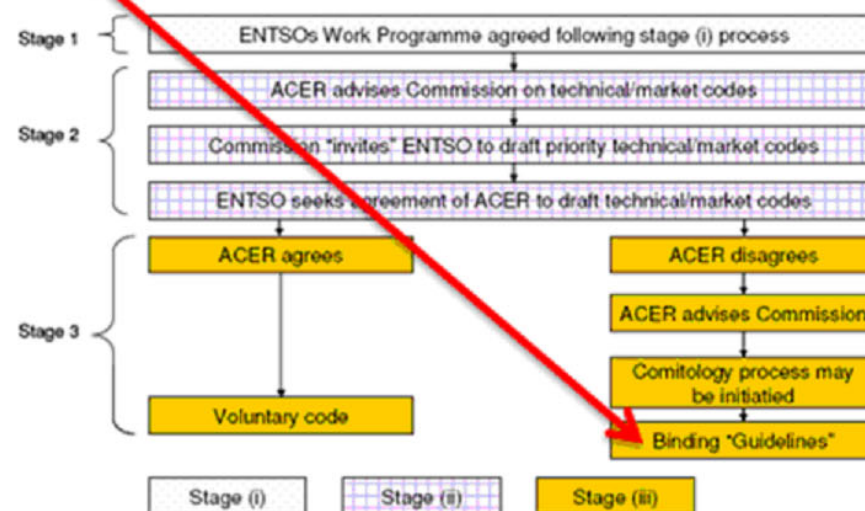
Development of codes and rules

Legally binding
framework for
the ENTSO codes

CEER / ERGEG proposal



Currently in 3rd package



Establishment of codes and rules

- **In order to provide regulatory certainty for investors, we should aim at a legally binding framework for the ENTSO codes**
- **Several approaches are being discussed but**

The guidance to be developed could serve either

- (1) as legally binding “strategic guidelines” preferred by regulators
or
- (2) as the “framework guidelines” (under ongoing discussion now)
or
- (3) as input to the ENTSOs work programme and as a basis for ACER in giving giving a justified opinion on the codes prepared by ENTSOs

EREG’s aim:

- Develop a framework for the scope of the detailed codes and rules at an early stage
- To reach consensus on the scope early on
- To facilitate rapid implementation of codes and rules asap after the 3rd package is adapted

EREG has started work already

1. Defining the scope of codes and rules
2. Setting priorities
3. Drafting (strategic) guidelines for some areas

Issue
Transparency (draft has been published on EREG's website)
CAM & CMP
10-year investment plan
TPA, CAM&CMP and transparency regarding LNG facilities
TPA, CAM&CMP and transparency regarding storage facilities
Balancing
Tariffs
Art. 22 guidelines
Rules for trading
Security and reliability rules
Grid connection and access rules
Data exchange and settlement rules
Interoperability rules
Operational procedures in an emergency
Energy efficiency regarding gas networks

Example: Strategic transparency guidelines

EREG has published draft strategic transparency guidelines in April 2008

- **2 parts to the document**
 - Part 1: 'Strategic level'
 - Definition of scope and objectives
 - Criteria for identifying issues which require substantial discretion to be addressed in strategic guidelines
 - Part 2: 'Contextual level'
 - Concrete contents: Definition of additional transparency requirements that can be implemented
- **Contextual level**
 - **Technical information**
 - **Definition of relevant points**
 - **Tariff information**
 - **Capacity information**
 - **Balancing information**
 - **User-friendliness**

Example: Strategic CAM&CMP guidelines

EREG currently drafting CAM&CMP guidelines

A public consultation will be launched in Q3/2008 including the following proposals for improvement:

- CAMs and CMPs should to be coordinated between adjacent system operators
- Development of one-year and shorter term bookings through a legal threshold and / or through incentivisation based on tariff
- Implementation of LT UIOLI
- Development of short term firm UIOLI through a differentiated restriction of renomination rights
- Capacity allocation mechanism: Open subscription period with subsequent pro rata allocation or auction if needed

Guidance on 10-year investment plan

EREG currently drafting guidelines on 10-year investment plan

The plan should:

- Cover investments aimed at increasing or maintaining capacity levels on the main high pressure transmission networks
- Include a summary of investment plans drafted at national level and regional level, e.g. identified within the Gas Regional Initiatives (GRIs)
- Identify physical congestions, particularly at cross-border level, that will result from EU demand and supply trends
- Identify the potential projects that could resolve physical congestions, including a cost-benefit analysis and / or assess the probability of the realization of each project
- Propose an investment plan, with the following elements
 - Development of entry points into the European market
 - Internal debottlenecking and interconnection between member states
 - Development of exit points (notably storage and CCGT connections)

Scope of guidance – 1

Security and reliability rules

- Incident prevention policy
- Safety management system
- Objective: to guarantee a high level of protection of the installations by means of appropriate measures and structures

Grid connection and access rules

- Connection procedures should be made clear for end-customers and other operators, covering new connections and extensions
- The economic feasibility of the connection and the related sharing of the connection costs as well as the contribution of the investment to the totality of the development of the existing system are two criteria to be evaluated
- Conditions for priority access should be set out to prevent undue discrimination

Scope of guidance – 2

Data exchange and settlement rules

- TSOs should provide relevant market participants with the information and data required by them to perform their functions
- TSOs may only use network user data required for the performance of its duties in accordance with the relevant statutory provisions
- The data transfers should be effected in the manner specified by Codes prepared by ENTSOG, including data exchange protocols, data formats or other technical details

Interoperability rules

- Common rules shall be agreed by adjacent TSOs in interconnection agreements for each interconnection point, including
 - Gas specifications
 - Technical specifications (e.g. gas day, pressure, reference temperature for metering)
 - Nomination and renomination procedures

Scope of guidance – 3

Operational procedures in an emergency

- Robust operational procedures are required to prevent network emergencies and to return the system to stable operating conditions when an emergency has occurred
- Emergency plans need to be compatible and thus co-operation between TSOs is essential
- Provision for co-operation between TSO to assist in potential emergency situations should be formalized

Rules for trading

- Guidance to encompass:
 - Network related rules for commodity trading (e.g. at virtual hubs)
 - TSO related services in secondary capacity trading

Scope of guidance – 4

Balancing rules

- Guidance to encompass
 - Balancing period
 - Design principles for imbalance charges
 - Trading and pooling of imbalance positions
 - Tolerance levels, services and access to sources of flexibility
- Establishment of operational balancing accounts

Rules regarding harmonized transportation tariffs

- Guidance to encompass:
 - Basic cost and tariff principles
 - Design of incentives for investments in new infrastructure
 - Design of tariffs for interruptible and short-term capacity products

Scope of guidance – 5

Energy efficiency regarding gas networks

- Obligation to use Best Available Techniques which are economically justifiable
- Cooperation between infrastructure operators to optimize installations on a technical performance level
- Exploitation of energy savings from reduced balancing actions and reduction in compressor operations

Guidelines for Good Practice

- Storage
- LNG
- Article 22

The way forward

Policy decisions currently under negotiations will shape the process of developing the necessary harmonized codes and rules

Taking into account the decision of the June Council, ERGEG will draft

- A proposal for an efficient process to develop the codes and rules
- A detailed description of the scope and aim of each of the 11+2 areas

Thank You

Information is available at
www.energy-regulators.eu