

**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY  
REGULATORS No 18/2017**

**of 7 November 2017**

**ON THE ANNUAL REPORT FOR THE YEAR 2016 OF THE EUROPEAN  
NETWORK OF TRANSMISSION SYSTEM OPERATORS FOR GAS**

THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS,

HAVING REGARD to Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators<sup>1</sup> (hereinafter referred to as “the Agency”), and, in particular, Article 6(3)(b) thereof,

HAVING REGARD to Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005<sup>2</sup>, and, in particular, Article 9(2) thereof,

HAVING REGARD to the favourable opinion of the Board of Regulators of 18 September 2017, delivered pursuant to Article 15(1) of Regulation (EC) No 713/2009,

WHEREAS:

- (1) On 14 June 2017, the European Network of Transmission System Operators for Gas (hereinafter referred to as “ENTSOG”) published its Annual Report for the year 2016 (hereinafter referred to as “the Annual Report”).
- (2) Pursuant to Article 6(3)(b) of Regulation (EC) No 713/2009 and Articles 8(3)(e) and 9(2) of Regulation (EC) No 715/2009, the Annual Report has to be evaluated by the Agency taking into account the objectives of non-discrimination, effective competition, efficient and secure functioning of the internal gas market,

HAS ADOPTED the present Opinion<sup>3</sup> on ENTSOG’s 2016 Annual Report, with the following comments and guidance:

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<sup>1</sup> OJ L211, 14.8.2009, p.1.

<sup>2</sup> OJ L211, 14.8.2009, p.36.

<sup>3</sup> This Opinion is prepared in line with the Agency’s Work Programme for 2017, which assigns resources to various tasks depending on a task’s classification in terms of priority as “critical”, “important” or “relevant”. “Relevant” tasks include the preparation of this Opinion, which was accordingly developed by using simplified format and work procedure.

### General comments

- a) The Agency welcomes the publication of the Annual Report in compliance with Article 8(3)(e) and 9(2) of Regulation (EC) No 715/2009. The Agency reiterates its advice to ENTSOG to consider publishing its annual reports on an earlier annual schedule.
- b) The Agency notes that the Annual Report addresses all the relevant tasks foreseen under Article 8 of Regulation (EC) No 715/2009 regarding:
- the monitoring and analysis of the implementation of network codes; and
  - the adoption of (a) Common Network Operation Tools; (b) the Ten-Year Network Development Plan (TYNDP); (c) recommendations related to the coordination of technical cooperation between Community and third-country transmission system operators (TSOs); (d) an annual work programme; (e) an annual report; and (f) annual summer and winter supply outlooks.
- c) The Agency appreciates the inclusion in the Annual Report of concise tables providing a review of the work programme status, including the specific activities, along with their goals, deliverables and completion dates, consultation, and current status.
- d) The Agency draws ENTSOG's attention to the fact that, in addition to the main tasks mentioned above, pursuant to Article 8(9) of Regulation (EC) No 715/2009, "*the ENTSO for Gas shall make available all information required by the Agency to fulfil its tasks under Article 9(1)*". The Agency encourages ENTSOG to ensure that information requests from the Agency are adequately and consistently attended in all work areas, including but not limited to, Network Codes (NCs) implementation and monitoring, the Transparency platform (TP) and the network and market model(s) used for infrastructure planning.

### On Network Codes

- e) The Agency encourages ENTSOG to continue supporting the implementation of the NCs and their monitoring process, as required by Article 8(8) of Regulation (EC) No 715/2009:
- The Agency appreciates the inclusion in the Annual Report of information related to monitoring the effects of the implementation of the NCs and notes the efforts made by ENTSOG in implementation monitoring, where - in some instances - information about non-implementing Member States is made available. These efforts could be taken further, for example by consistently flagging cases of deficient implementation or cases showing substantial delays in implementation.
  - The Agency invites ENTSOG to consider reporting in its future annual reports on NCs implementation and monitoring, including the Joint Functionality Process, in a dedicated section, provided that the Functionality Platform is populated with cases.

- The Agency recalls the views expressed in its opinion on ENTSOG's 2015 Annual Report<sup>4</sup>, namely that, for the purpose of the Joint Functionality Process reporting and monitoring, ENTSOG is encouraged to share its findings with the Agency and, where needed or useful, with stakeholders, before the publication of the results in the Annual Report.
- f) The Agency welcomes the coverage in the Annual Report of the TP and stresses the need for ENTSOG to validate the data and verify data quality, to standardise the methodology for the published data, to align EIC<sup>5</sup> codes applied on the TP, and to consider other relevant improvements to enhance the implementation of the requirements of the existing legislation. The Agency likewise encourages ENTSOG to inform the Agency on possible amendment requests from stakeholders aimed at improving the data quality and consistency in the TP, whenever those requests cannot be implemented voluntarily on the Platform. The Agency takes note of the TP functionalities implemented in 2016 and in early 2017, and invites ENTSOG to consider providing in its future annual reports information about work leading to:
- The harmonisation of the methodologies underlying the data collection from TSOs and the data fed into the TP;
  - The improvements made on data quality;
  - More effective data provision for the purpose of the Agency's monitoring reports on the implementation of the NCs, including additional coordination efforts with TSOs and the Agency, where appropriate;
  - Adding new reporting filters, such as types of firm capacity products, bundled and unbundled products, etc.; and
  - Other possible improvements as advised by stakeholders and by the Agency.

#### On Infrastructure Development

- g) Regarding the activities related to the seasonal (winter and summer) supply outlooks released by ENTSOG in 2016, the Agency reiterates its view that such outlooks should cover supply and demand situations beyond those related to the resilience of the gas system, and be broadened to analyse the expected gas supply patterns, including relevant market aspects. The Agency notes that the short-term seasonal outlooks and the long-term infrastructure development perspective presented in the TYNDP, which includes a European Capacity Adequacy Outlook and an assessment of the network resilience<sup>6</sup>, do not always clearly arrive at consistent conclusions<sup>7</sup>. ENTSOG should investigate the reasons for this apparent lack of consistency.

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<sup>4</sup> Cf. Agency's Opinion No 9/2016.

<sup>5</sup> Energy Identification Coding.

<sup>6</sup> Cf. ENTSOG's Annual Report 2016, p. 9.

<sup>7</sup> E.g., while the short-term seasonal outlooks repeatedly conclude that the EU gas system is generally resilient, the long-term perspective includes numerous infrastructure projects intended to serve needs and close

- h) The Agency notes that the Annual Report describes the extensive stakeholder engagement process conducted for the preparation of the TYNDP 2017, a process which resulted in the publication, in December 2016, of a draft TYNDP for public consultation and for the Agency's opinion. The Agency welcomes that ENTSOG, for the first time, submitted its TYNDP in draft to the Agency for its opinion, in compliance with Regulation (EC) No 715/2009, and notes ENTSOG's consideration of both the stakeholder feedback and the Agency's opinion in the final version of the TYNDP published in April 2017. The Agency welcomes the implementation of most of the "short-term" recommendations of the Agency in the final version of the TYNDP. The Agency invites ENTSOG to implement in the next TYNDP the "medium-term and long-term" recommendations, in particular by improving the gas network and market model and modelling tool<sup>8,9</sup> and running an inclusive joint scenario development process with ENTSO-E, reflecting the views of all relevant stakeholders.
- i) The Agency welcomes ENTSOG's commitment to update, during 2017, the cost-benefit analysis (CBA) methodology adopted by the European Commission in 2015, a task for which ENTSOG reports work having been initiated in 2016. The Agency recalls the importance of updating the current CBA methodology for its application in the next TYNDP 2018 and the fourth selection process of Projects of Common Interest (PCIs). Such an update should allow the assessment of project-specific cost and benefit information, both monetised as much as realistically possible, in order to make such information available to all relevant stakeholders for the processes that the CBA has to support (TYNDP, selection of PCIs, investment requests).
- j) The Agency notes ENTSOG's statement in the Annual Report regarding the interlinked electricity and gas network and market model, namely that "*The ENTSOs have closely cooperated with ACER and the Commission on the topic to understand their expectations in regard to the contribution of the Model to the CBA methodologies. [...] The proposed concept intends to address the most valuable fields for interlinkage*". However, the Agency notes that this statement does not fully reflect the views of the Agency as expressed in its Opinion No 07/2017<sup>10</sup>, which indicated that the submitted model "*is largely inadequate, especially due to the missing fundamental elements, namely the specifications of the input data set to run the Model, the endogenous variables, and the output data set generated by the Submitted Model, duly accompanied by the algorithms of the Submitted Model and their formal description*". The Agency calls on ENTSOG (and ENTSO-E) to take due account of the views and the recommendations of the Agency, as formulated in the referred Opinion, before providing a complete and amended Model for approval to the Commission.

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infrastructure gaps, but for which the commissioning dates have been continuously postponed in each subsequent edition of the plan.

<sup>8</sup> Cf. Agency's Opinion No 6/2017 on the ENTSOG draft TYNDP 2017, Sections 2.3, 3.1, and 4:  
[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Opinions/Opinions/ACER%20Opinion%2006-2017.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2006-2017.pdf).

<sup>9</sup> Cf. Agency's Opinion No 7/2017 on ENTSOS' draft interlinked electricity and gas market and network model:

[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Opinions/Opinions/ACER%20Opinion%2007-2017.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2007-2017.pdf).

<sup>10</sup> Cf. point 7(a).

On organisational issues

- k) The Agency notes that the Annual Report does not contain information on staff-related issues, and encourages ENTSOG to include in future annual reports relevant information covering measures and policies adopted in pursuit of achieving continuity and transfer of knowledge within ENTSOG. The Agency reiterates that ensuring continuity and proper knowledge transfer within ENTSOG is vital for its operations.
- l) The Agency reiterates its recommendation to include in future annual reports the Board's decision on ENTSOG's financial statements, in pursuit of greater transparency and making such information easily accessible to the public.

Done at Ljubljana on 7 November 2017.

For the Agency:

  
Alberto Pototschnig  
Director