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**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY  
REGULATORS No 10/2014**

**of 16 May 2014**

**ON THE ANNUAL REPORT FOR THE YEAR 2013 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, Articles 6(3)(b) and 17(3) 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 8 May 2014 delivered pursuant to Article 15(1) of Regulation (EC) No 713/2009,

WHEREAS:

- (1) On 19 March 2014, the European Network of Transmission System Operators for Gas (hereinafter referred to as "ENTSOG") submitted to the Agency the Annual Report for the year 2013 (hereinafter referred to as "the Annual Report") in a digital format and published it on its website.
- (2) Pursuant to Article 6(3)(b) of Regulation (EC) No 713/2009 and Article 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 on ENTSOG's 2013 Annual Report, with the following main findings, 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.

## 1. MAIN FINDINGS

- a) The Annual Report, entitled “Securing Europe’s Energy Future: Implementing the Internal Market for Gas”, consists of four chapters. The structure of the Report is consistent with the tasks attributed to ENTSOG pursuant to Article 8 of Regulation (EC) No 715/2009.
- b) The Annual Report provides an adequate account of the achievements of ENTSOG in 2013 and highlights the priority work carried out by ENTSOG in line with the targets for the Internal Energy Market. These priorities, as listed below, are largely identical to those indicated for the precedent reporting period. The Annual Report also contains information about ENTSOG’s membership and team, as well as other supporting information, such as the list of press releases and stakeholder consultations and workshops held during the reporting period. However, unlike the previous annual reports, the Annual Report does not include ENTSOG's Board decisions on the Financial Statements, along with the statements themselves.
- c) As regards ENTSOG’s activities, the Annual Report presents three main elements. Firstly, it highlights that the reporting year was critical from the viewpoint of providing a number of deliverables, including some which are key for the completion of the Internal Energy Market by 2014:
  - i. The Ten Year Network Development Plan 2013-2022;
  - ii. The revised Network Code on Balancing in Transmission Systems;
  - iii. The Network Code on Interoperability and Data Exchange Rules;
  - iv. The upgraded Transparency Platform;
  - v. The Gas Regional Investment Plan of the North-West European Gas Transmission System Operators;
  - vi. The draft Cost-Benefit Analysis ("CBA") Methodologies in support of the Projects of Common Interest ("PCIs") process.

Secondly, the Annual Report refers to other deliverables for the reporting year, including the summer and winter supply outlooks accompanied by the relevant reviews, the new editions of a capacity and a system development map, the annual report for the year 2012, and the annual work programme for the year 2014. Finally, it reports on the steps taken during the reporting year to ensure the correct release of the deliverables, further highlighting the challenges faced by ENTSOG.

## 2. COMMENTS AND GUIDANCE

- a) The Agency welcomes the submission of the Annual Report in compliance with Article 9(2) of Regulation (EC) No 715/2009. In this respect, the Agency notes the timely release of the Annual Report as compared to previous editions. Furthermore, it welcomes the release to the public of the Annual Report on the same day of its submission to the Agency and, therefore, further encourages ENTSOG to maintain this practice to continue delivering and publishing its annual reports in the first quarter of the year subsequent to the reporting year.
- b) The Agency recommends to ENTSOG to revert in the future to the earlier reporting practice of also including in the report the Board’s decision on ENTSOG’s financial statements, along with the statements themselves, in pursuit of better transparency and

making such information easily accessible to the public. The Agency finds that the Annual Report is a concise and informative document reviewing not only ENTSOG's core activities in 2013, but also providing a broader perspective over the activities continuing in 2014 and the targets for 2015.

- c) The Agency encourages ENTSOG to continue delivering concrete results in the pursuit of the achievement of a harmonised Internal Energy Market in the critical areas outlined above and other areas. The Agency encourages ENTSOG to support the development of the first Capacity Allocation Mechanisms Network Code ("CAM NC") - compliant capacity allocation platform and to facilitate the early implementation of the CAM NC via the ACER/ENTSOG CAM Roadmap. The Agency welcomes ENTSOG's intention to strengthen the next edition of the TYNDP (planned for February 2015) with the first implementation of a CBA methodology applied to PCIs.
- d) The Agency appreciates ENTSOG's activity focused on the drafting of a Network Code on Harmonised Transmission Tariff Structures for Gas (TAR NC) by the end of 2014. The Agency encourages ENTSOG to pursue the trilateral discussions with the Commission and the Agency on the requirements specified in the corresponding Framework Guidelines.
- e) The Agency appreciates ENTSOG's active contribution as expert advisor throughout the process of adoption of the Balancing Network Code ("BAL NC"), ultimately leading to the endorsement of the BAL NC by the Gas Committee on 2 October 2013. The Agency encourages ENTSOG to: i) keep pace with the BAL NC's implementation by Transmission System Operators ("TSOs") after its entry into force in 2014; ii) inform stakeholders of any issue related to the timely and complete implementation of the BAL NC by TSOs; and iii) maintain the cooperation with the Agency in the early implementation of the BAL NC.
- f) The Agency notes the inclusion in the Annual Report of some preliminary results of ENTSOG's monitoring of the implementation of the Guidelines on Congestion Management Procedures ("CMP"), applicable since 1 October 2013. The Agency encourages ENTSOG both to report on findings and analysis from CMP monitoring and to include the final results of that analysis in its next annual report, in accordance with Article 8(8) of Regulation (EC) No 715/2009.
- g) The Agency acknowledges ENTSOG's effort in improving transparency, involving stakeholders and taking their views into account, and expanding its resource base. The Agency finds it useful that the Annual Report includes information on the Transparency Platform and its changing coverage, functionality and availability to the public, particularly in view of the effort to achieve full compliance, by 1 October 2013, with all the regulatory requirements, including those of Regulation (EC) No 1227/2011<sup>3</sup>, and the guidance issued by the Agency. In this context, the Agency invites ENTSOG to continue enhancing its Transparency Platform in the course of 2014, in particular by improving data quality, and to devote more attention to transparency-related activities in future annual reports.
- h) The Agency welcomes ENTSOG's balanced engagement in activities covering the requirements of Article 8(3) of Regulation (EC) No 715/2009. The Agency concurs with ENTSOG's view that ENTSOG's roles and responsibilities extend beyond the development of network codes, also to encompass their implementation phase. In this

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<sup>3</sup> Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (OJ L 321, 8.12.2011, p.1).

context, the Agency appreciates ENTSOG's activity in the development of a Common Network Operations Tools ("CNOTs") to support the implementation of these network codes, including Business Rules Specifications and Message Implementation Guidelines and two pilot projects, the CAM Auction and Balancing Nominations Implementations. Hence, the Agency invites ENTSOG to consider also the CNOTs in light of all the requirements of Article 8(3)(a) of Regulation (EC) No 715/2009, in particular: i) by developing common network operation tools for the coordination of network operations in normal and emergency conditions; and ii) by including a common incidents classification scale and research plans, also with third country TSOs where appropriate.

- i) As regards activities related to the seasonal outlooks provided by ENTSOG in 2013, the Agency finds appropriate the focus on the analysis of the flexibility offered by gas infrastructures to network users, performed by modelling each of the days of the season under various supply situations and targeting different stock levels at the end of the season, also taking into account transmission capacity unavailability due to maintenance. The Agency invites ENTSOG to consider improving the integration of the seasonal analyses and modelling with the analyses and modelling performed for the purpose of the development of the TYNDP. In particular, the Agency invites ENTSOG to aim for greater consistency between the long-term development perspective offered by the TYNDP, on the one hand, and the findings of the seasonal outlooks that the infrastructure has proven to be sufficiently robust in all parts of the Union, under various scenarios of demand and supply, including conservative demand growth. However, the Agency invites ENTSOG to more clearly distinguish between infrastructure robustness and supply-side issues, particularly in cases where supply is from a single source and infrastructure capacity flexibility is restricted by technical or commercial factors.
- j) The Agency notes with satisfaction the contribution of ENTSOG to different security of supply-related subjects involving the assistance to the Gas Coordination Group ("GCG") by modelling the resilience of the European gas system under specific scenarios. The Agency also appreciates ENTSOG's offer to define which situations are to be included in future Supply Outlooks for the GCG, in conjunction with the links between gas and electricity and the underground gas storage ("UGS") levels at the end of the injection season in particular Member States.
- k) The Agency concurs with the views expressed by ENTSOG as regards both the essential need for ENTSOG and the European Network of Transmission System Operators for Electricity ("ENTSO-E") to intensify their cooperation as the only available way to attain the best overall economic results for the benefit of the Internal Energy Market, and the need to involve all key stakeholders at the earliest possible stage. The Agency recommends a strong level of cooperation with ENTSO-E in view of aligning the two Networks' targets for energy security, carbon emissions and renewable energy sources in the context of tasks in the areas of markets, system development, and system operation.
- l) The Agency welcomes the establishment in 2013 of continuous working collaborations between ENTSOG and ENTSO-E in various areas, including holding regular meetings regarding power generation, modelling and the development of a CBA methodology, and the conclusion of a contract on knowledge sharing. Regarding the consistency of scenarios used by both ENTSO-E and ENTSOG, the Agency finds valuable ENTSOG's activity related to the assessment of gas demand in the power generation sector, with the aim of ensuring consistency between scenarios to be used by both ENTSO-E and ENTSOG in their respective TYNDPs. In this respect, the Agency encourages further developing a

- methodology for quantifying the potential range of gas consumption for power generation in specific electricity scenarios under divergent market conditions.
- m) The Agency welcomes ENTSOG's research and development ("R&D") efforts on topics such as supply-side flexibility and the link between demand and weather conditions, and the general approach directed to the integration of R&D into ENTSOG's activities, ultimately leading to concrete deliverables.
  - n) The Agency welcomes ENTSOG's positive and constructive role for the development of the Gas Regional Investment Plan (GRIP) North-West, which was published in December 2013. In particular, the Agency not only finds valuable both the ENTSOG Centralised Data Collection process and ENTSOG's Network Modelling Tool, but also concurs with ENTSOG's view that the process and the tool are essential for maintaining consistency between various infrastructure plans. In this context, the Agency invites ENTSOG to extend a common process of data collection and evaluation to all the Regions in order to offer support to the development of the GRIPs in the future.
  - o) The Agency appreciates the inclusion in the Annual Report of information regarding the activity performed on the basis of the tasks deriving from Regulation (EU) No 347/2013, particularly with regard to the development of a CBA methodology at Union-wide level for all PCIs, to the performance by ENTSOG of these tasks in coordination with ENTSO-E and to the development of the TYNDP. The Agency finds ENTSOG's anticipatory approach regarding the development of the CBA methodology appropriate and in line with the approach adopted by other stakeholders in the execution of the tasks deriving from Regulation (EU) No 347/2013. The Agency recommends reporting the activities related to Regulation (EU) No 347/2013 in a separate partition of the future annual reports, possibly in conjunction with other major infrastructure-related efforts, such as the development of the TYNDP.
  - p) The Agency welcomes ENTSOG's effort in the area of expanding the relationships with TSOs of third countries, including the possibility to admit them as observers in ENTSOG, the development of recommendations relating to the coordination of technical cooperation between Union and third-country TSOs, and the channelling of this dialogue mainly via the Energy Community platform.
  - q) Regarding the EU-Russia Energy Dialogue, the Agency welcomes ENTSOG's participation in the establishment of a Kernel Group for the development of an Early Warning System, and takes note of the intention to maintain this cooperative effort.
  - r) The Agency welcomes that, as of 1 March 2013, EASEE-gas has relinquished its responsibilities as an Energy Identification Coding (EIC) Local Issuing Office in favour of ENTSOG. In particular, the Agency notes that this transfer of responsibilities has determined also the assignment to ENTSOG of all the existing codes issued by EASEE-gas, and the development of a dedicated page for this purpose on ENTSOG's website, allowing users to submit requests, to download or view existing codes and to access the manual of procedures.
  - s) The Agency generally welcomes the reporting of the activities in a matrix-based format divided by business area and functional tasks. In particular, the Agency appreciates the complete coverage of the planning and managerial work carried out by ENTSOG, the performance of overarching tasks related to industry developments, such as the Gas Target Model process and the EU-Russia dialogue, and ENTSOG's expected involvement in the Agency strategic initiative "Energy Regulation: A Bridge to 2025". As a way of improvement, the Agency invites ENTSOG to consider for future annual reports the

implementation of a more focused combined coverage of both closely related infrastructure development tasks and overarching tasks, and the inclusion of new partitions where relevant.

- t) The Agency appreciates the coverage in the Annual Report of activities which lie on the critical path of the completion of the Internal Energy Market by 2014, such as the release of network codes, along with the equally important tasks related to investment and the development of the gas infrastructure, support of gas regional investment plans, and to the Connecting Europe package legislative process.

### 3. CONCLUSIONS

The Agency believes that the Annual Report meets the objectives of Regulation (EC) No 713/2009 and Regulation (EC) No 715/2009 in terms of contributing to non-discrimination, effective competition, and the efficient and secure functioning of the internal natural gas market.

Done at Ljubljana on 16 May 2014.

For the Agency:

  
Alberto Pototschnig  
Director



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