

Edison Spa

Sede Legale
Foro Buonaparte, 31
20121 Milano
Tel. +39 02 6222.1



ACER - Agency for the Cooperation of
Energy Regulators
Trg republike 3, 1000 Ljubljana, Slovenia

FG-2012-G-007@acer.europa.eu

Milan, 16th May 2012

Edison response to the ACER consultation on Interoperability and Data Exchange Rules for European Gas Transmission Networks

Name	Monica Immovilli
Company	Edison SpA
Address	Foro Buonaparte 31, Milano
Contact email	monica.immovilli@edison.it
Phone	+39 – 02 – 6222 – 7397
Country	Italy



Introduction

Edison welcomes ACER's consultation on "*Draft Framework Guidelines on Interoperability and Data Exchange Rules for European Gas Transmission Networks*". We indeed agree with ACER when stating in the Introduction to the Draft Framework Guidelines that "operational, technical, communications and business interoperability is a prerequisite for the well-functioning and the integration of energy markets" and believe that the lack of harmonisation into these fields represents a barrier to the integration of markets that could be easily avoided without causing complicated side-effects and excessive burdens on stakeholders. For this reason we are convinced that these Framework Guidelines should pave the way towards a process of real harmonisation, requiring a stronger commitment not only to TSOs, but to all interconnected system operators (LSOs, SSOs), to remove existing barriers to an efficient circulation of gas across European markets.

1. Scope and application, implementation (Chapter 1 of the Framework Guidelines (the 'FG'))

1.1 Do you consider that the FG on interoperability and data exchange rules should harmonise these rules at EU level, as follows:

a) At interconnection points only?

b) Including interconnection points and where appropriate points connecting TSOs' systems to the ones of DSOs, SSOs and LSOs (to the extent cross-border trade is involved or market integration is at stake)?

c) Other option? Please explain in detail and reason.

d) I don't know.

In our interpretation, interoperability is an issue impacting the whole gas system, as points connecting the transmission network to storages, LNG terminals, production sites and distribution networks are key parts of the system. The existence of different rules to operate these points, as well as the application of different systems to exchange data, could contribute to the persistence of criticalities and obstacles for the activity of network users.

We may list here below some arguments to explain the importance of widening the scope of FGs on Interoperability.

- i. Firstly, the FGs establish a common template and minimum contents for Interconnection Agreements (IAs) between adjacent TSOs. In general we believe that there should be an obligation to sign IAs not only between



interconnected TSOs, but also between TSOs and all connected infrastructure operators, with the aim of ensuring a coordinated management of the system.

- ii. More in detail, the draft FGs foresee that the common template should include among other issues, for instance, rules on the coordinated management of exceptional events. In our opinion also IAs between TSOs and other connected infrastructure operators should include rules on these aspects, in order to avoid non-coordinated management of exceptional events. The same consideration could be made for all other minimum contents of the template IA.
- iii. An analogous rationale is valid also for the introduction of an obligation on infrastructure operators to coordinate the respective maintenance plans, which we do not see as an explicit part of the IA template and thus strongly recommend to introduce. Although obligations to coordinate maintenance interventions may have already been set at a local level, their inclusion within the template IA defined at a European level by the Network code would ensure coordination along the whole supply route. If coordination of maintenance plans is key between adjacent transmission networks, in order to minimize constraints on a specific gas route, it is similarly important between transport operator and LSOs.
- iv. Moreover, as concerns interconnection with LSOs, we would like to underline the important relation with the gas quality issue. Indeed, the FGs' request for increasing cooperation on gas quality, by asking TSOs to agree on the handling of gas quality differences at each side of an IP, should be extended to LSOs. The absence of obligations on LNG terminal operators to adopt measures to manage different gas qualities may, in our opinion, represent a barrier to cross-border trade, by limiting the possibility for spot cargoes to be delivered. We will further develop this point in the Gas Quality section of this document.

1.2 Do you consider that for any of the above options the level of harmonisation shall be (Section 1.b of the FG):

a) Full harmonisation: the same measure applies across the EU borders, defined in the network code?

b) Harmonisation with built-in contingency: same principles/criteria are set with a possibility to deviate under justified circumstances?

c) No additional harmonisation, meaning rules are set at national level, if they deemed necessary by the national authorities, which may include either NRAs or the government?



In principle, we are in favor of the maximum level of harmonisation, which should be the final goal of all European Network Codes. The problem of interoperability is particularly important to eliminate existing operational, technical and business obstacles to cross-border trade and therefore we think that the harmonisation should involve all European points including, as we explained above, connection points with other infrastructure operators (SSOs, LSOs, production sites).

1.3 Shall any of the issues raised in the FG (Interconnection Agreement, Harmonisation of units, Gas Quality, Odourisation, Data exchange, Capacity calculation) get a different scope from the general scope as proposed in section 1.b. of the FG (and as addressed in the previous question)? Please answer by filling in the following table, ticking the box corresponding to the relevant foreseen scope.

As specified above, we support the final goal of full harmonisation. That said, we understand that on some specific issues the FGs and Network code can only outline general contents and principles, whereas technical details should be left to involved operators, taking into consideration the technical specifications of the infrastructure they are operating. The ticks on partial harmonisation with reference to IAs and Capacity calculation is made following this rationale.

	<i>IAs</i>	<i>Units</i>	<i>Gas Quality</i>	<i>Odourisation</i>	<i>Data Exchange</i>	<i>Capacity Calculation</i>
<i>Full Harmonisation</i>		X	X	X	X	
<i>Partial Harmonisation</i>	X					X
<i>Business as usual</i>						

1.4 What additional measures could you envisage to improve the implementation of the network code? Please reason your answer.

Edison has no particular comments on the proposed paragraph on “implementation, transitional period and monitoring”: the timing for implementation seems adequate and, most importantly, market is consulted on the report prepared by each TSO.

2. Interconnection Agreements

2.1 Do you think that a common template and a standard Interconnection Agreement will efficiently solve the interoperability problems regarding



Interconnection Agreements and/or improve their development and implementation?

a. Yes.

b. No.

c. I don't know.

d. Would you propose additional measures as to those proposed? Please reason your answer.

e. Would you propose different measures as to those proposed? Please reason your answer

Edison is positive towards ACER's proposal to introduce a "model template" and a "standard IA", the latter to be used if TSOs fail to reach a mutual agreement within a period of 12 months. The definition of a common template with minimum requirements would contribute to ensure a certain degree of consistency among IAs signed by different TSOs in Europe and would guarantee a set of minimum contents. Nevertheless, we think that the list of aspects to be addressed by the template IA is not complete. In particular, we would recommend the FGs to provide a clearer and more detailed guidance on the contents and on their implementation and to:

- a) Better define what is intended for "exceptional events", as no definition is present at para. 1.d. With regards to this point, we believe that an IA should include transparent and shared procedures to be adopted by TSOs in case of emergency.
- b) Include an obligation to coordinate maintenance plans of interconnected infrastructures. Currently there is no explicit mention to the introduction of obligations on TSOs to coordinate maintenance in order to reduce limitations or interruptions on a gas route. We think that this is a key element to be part of an IA.
- c) Impose that at least rules on the allocation of gas quantities are well known in advance by network users to allow them to better manage possible imbalances.
- d) Clearly specify that principles for metering gas quantity and quality should be part of an IA, as they are operational issues, and should be aimed at obtaining:
 - Shared rules and logics to manage the metering and flow control equipment,
 - Maximization of the alignment between measured and forecasted flow rates between interconnected operators,
 - Minimization of metering errors due to the adoption of different equipment and standards,



- A single final metering, relevant for fiscal purposes, to be managed and verified according to methodologies described by the IA.

In our opinion, the issue of metering and meter reading is a key element of an IA and for this reason we believe that the Network Code should provide a framework defining minimum requirements on how interconnected operators handle the definition of responsibilities of metering gas quantities and quality. In particular, we think that the Code should impose that any IA includes:

- a minimum set of tools (procedures and not parameters) to be implemented by TSOs to handle, for example, the delivery of out-of-spec gas or to deal with particular circumstances such as the delivery of a spot cargo at a LNG terminal;
- reference standards for the maintenance (e.g. frequency of controls and maintenance interventions, etc) of some categories of instruments to meter gas quantity and quality. The advantage of having common reference standards in this field would be (i) an increase in transparency of metered data, with the possibility for network users to control more easily the outcomes of the allocation process, and (ii) the reduction of uncertainties and mistakes on metering data at interconnection points. The latter is particularly important provided the future evolution towards market-based balancing mechanisms, where a high level of accuracy of metering should be ensured to network users who will be responsible for balancing their portfolios. Common standards are generally applied between national interconnections (set by national network codes), but this is not always the case at a European level;
- the possibility to install a back-up line of metering instruments, to ensure the availability and the accuracy of metering data also in the event of problems on the main metering instrument;
- the selection, for any IP, of a single point of metering enabled to provide data valid under the commercial point of view for allocation purposes. Currently this arrangement is not applied on all European IPs and the fact of having two different metering points at an interconnection could generate mismatches in data that shall be managed by TSOs without having the possibility to certify which of the two metering is more accurate. On the contrary, the selection of a single metering point would allow to solve possible criticalities related to the matching process and to reduce uncertainties or further factors of risk, such as the creation of un-accountable gas. Nevertheless, in order for involved TSOs to manage the metering on



this shared point it is important that the IA sets a clear ex-ante definition of responsibilities of each of the interconnected operator.

2.2. Do you think that a dispute settlement procedure as laid down in the text will efficiently contribute to solving the interoperability problems of network users regarding Interconnection Agreements and their content?

a. Yes.

b. No.

c. I don't know.

d. Would you propose additional measures as to those proposed? Please reason your answer.

e. Would you propose different measures as to those proposed? Please reason your answer

We appreciate ACER's intention to introduce a dispute resolution mechanism and we think that in this case the relevant NRA or ACER should consult the market to understand what are the criticalities to be addressed. Furthermore, in order for this measure to be effective, we suggest to specify within the FGs or the Network Code after which delay ACER takes over the case.

2.3. Do you think that a stronger NRA involvement in the approval of the Interconnection Agreements could be beneficial? Please explain in detail and reason.

a. Yes.

b. No.

c. I don't know

We believe that NRA involvement could be beneficial in terms of ensuring that IAs respect the minimum requirements of the model template. In particular, although we acknowledge that IAs are private agreements between operators, provided their importance for the efficient and smooth functioning of European gas transmission networks, Edison would favor a stronger involvement of NRAs during the drafting process, possibly requiring their formal approval as binding.

3. Harmonisation of Units

3.1. Do you think that there is a need for harmonisation of units?

a. Yes.

b. No, conversion is sufficient in all cases.

c. I don't know.

d. Would you propose additional measures as to those proposed? Please reason your answer.



e. Would you propose different measures as to those proposed? Please reason your answer.

Edison strongly agrees with the proposal to harmonise units: the existence and application of different units at each side of an interconnection point is indeed a cause of administrative and commercial complexity to operate on different markets that could be easily avoided. The use of different conversion factors, for instance, could lead to mismatches or invoicing discrepancies or may be a source of unintentional mistakes, provided that depending on the level of accuracy of the conversion (e.g. number of decimal factors, which may be higher than a dozen) the final result obtained by system operators may differ.

3.2. What is the value added of harmonising units for energy, pressure, volume and gross calorific value?

a. Easier technical communication among TSOs.

b. Easier commercial communication between TSOs and network users.

c. Both.

d. No value added.

e. I don't know.

f. Other views. Please reason your answer.

We believe that the harmonisation of units would generate benefits both for communications among TSOs and between TSOs and network users, preventing the occurrence of mistakes or mismatches in converting units. For this reason we believe that the use of harmonised units should not be limited to communication among TSOs, but instead extended to communication between TSOs and other infrastructure operators and network users.

3.3. Shall harmonisation be extended to other units? Please reason your answer.

At the present time, we do not see any other relevant unit for which harmonisation is needed.

4. Gas Quality

4.1. Please provide your assessment on the present proposal; in particular assess the provisions on ENTSOG gas quality monitoring, dispute settlement and TSO cooperation. Would these measures address sufficiently the issues that are at stake? Please reason your answer.

Clear rules on the management of gas quality are one of our key expectations from FGs and NC on interoperability. We do not directly refer to the definition of



harmonised parameters, which is the final goal of the work being carried on by CEN and which obviously takes more time and need a careful cost/benefit analysis. Nevertheless, urgent measures to impose on TSOs cooperation on the issue of gas quality should be put in place as a result of the implementation of the Network Code, if this will take place before the enter into force of the outcome of CEN's work. In particular, as we explained in our response to questions in section 2, we consider paramount that the Network Code establishes a stricter obligation on TSOs to commit to technically handle gas quality differences in order to reduce all possible barriers to spot trade: we are indeed convinced that companies operating high pressure transmission grids have means and economies of scale to handle natural gas of different qualities without relevant impacts on final users and their equipment. A top-down approach to define the requirements for commitment is appropriate as it may require to choose among different parameters for the secure management of the network set by national network codes.

Moreover, in our opinion, obligations to handle gas quality differences should not be put only on TSOs operating high pressure networks, but also on LSOs: in our experience, the absence of correction services at some LNG terminals represent a concrete obstacle for the delivery of spot cargoes that may present different characteristics from the other gas flowing into the network , which could contribute to differentiate gas import sources. Also, the impossibility to accept other cargoes reduce the possibility to use LNG as a real flexible resource, as it should be.

We are conscious that the application of a single solution (which could be, for instance, the investment in correction services for out-of-spec gas) for all interconnection points would not probably be the most cost-efficient solution and that a cost/benefit analysis on this should be probably carried out on a case by case basis. Nevertheless, we are convinced that the Framework Guidelines should at least clearly define:

- criteria according to which identifying key points of the European network for which the solution of gas quality problems is required not to hinder gas circulation and market integration (e.g. impact, in terms of volumes, of the problem at a specific IP on the entire national/regional system, etc),
- a request to TSOs and other infrastructure operators to commit to solve issue related to gas quality when they take place on these key points.

As a starting point, we recommend full interoperability with reference to gas quality at newly realized interconnection points, whereas implementation at existing IPs may take place stepwise.

4.2. Do you consider that a technically viable solution to gas quality issues that is financially reasonable will most likely result from:

a. Bilateral solution between concerned stakeholders.



b. Solutions to be developed cross-border by TSOs, to be approved by NRAs and cost sharing mechanism to be established.

c. The establishment of a general measure in the Framework Guidelines, setting a comprehensive list of technical solutions to select from.

d. I don't know.

e. Other option. Please reason your answer.

We believe that the FGs should introduce a certain level of harmonisation, at least on general principles and goals, as well as on the definition of possible technical solutions compatible with them. These contents will then represent a transparent and common reference point to implement the most efficient and solution at local level and on a case by case basis, under the supervision of NRAs.

5. Odourisation

5.1. Please provide your assessment on the present proposal. Would the measure proposed address sufficiently the issues that are at stake? Please reason your answer.

Our understanding is that odourisation on high pressure transmission networks represents a local issue, related to national safety obligations. As such, we agree with the approach proposed by ACER to grant involved operators an interim period to find solutions on a bilateral basis.

6. Data exchange

6.1. Please provide your assessment on the present proposal. Would the measures proposed address sufficiently the issues that are at stake? Please reason your answer.

We think that extending the implementation of standard communication procedures to all communication areas among TSOs and between TSOs and other counterparties will represent an important step to facilitate the possibility for network operators to trade on different gas markets.

As regards the choice of the communication protocol to be adopted as reference, we would suggest to consider that a wide number of European market participants is currently using EDIG@S. Nevertheless, there are still some differences in its utilization that calls for a wider standardization of the protocol's application. Indeed, at present, there is no common standard for the data network or the way in which EDIG@S messages are transmitted. It means that although it is possible purchasing applications that generate and translate EDIG@S documents, the way in which they shall be dispatched or received depends on how the other party has



implemented EDIG@S. Therefore, an increasing standardisation in the data network and in the way in which EDIG@s messages are transmitted would result in lower costs for operators; small shippers will particularly benefit from this, as they often have to rely on other companies providing expert solutions for EDIG@S messaging and portfolio management.

6.2. Regarding the content of this chapter,

a. Data exchange shall be limited to the communication format.

b. Data exchange shall define both format and content, at least regarding the following

points: _____ . Please reason your answer.

c. I don't know.

d. Other option. Please reason your answer.

We think that market participants would benefit from a wider scope harmonisation on data exchange, including also a minimum set of contents to be compulsorily communicated by TSOs to users. Some of these information are already specified in other Network Codes (CAM, Balancing, etc).

6.3. ENTSOG may support the exchange of data with a handbook of voluntary rules. Please share your views about such a solution.

In order to avoid a final outcome with different protocols implemented in various systems, we prefer the introduction of binding rules within the Network Code rather than the adoption of a voluntary approach.

7. Capacity calculation – The Agency view is that discrepancy between the maximum capacities on either side of an interconnection point, as well as any unused potential to maximise capacity offered may cause barriers to trade.

7.1. Please provide your assessment on the present proposal. Would the measures proposed address the issues that are at stake?

Edison agrees with ACER when stating that discrepancy between the maximum capacities on either side of an interconnection point represent a barrier to trade: indeed the application of different methodologies to calculate capacity at different sides of an IP may generate undue restrictions of gas flows. We think that those constraints could be easily avoided by harmonizing the assumptions used by TSOs to calculate available capacity. This will be of paramount importance if we consider that in the medium term the allocation of capacity will only take place in form of bundled products: in such a framework, any discrepancy between available



capacity at each side of an IP will increase its weight, as this capacity will become spare as it could not be allocated to users.

For this reason, although recognizing that the proposed measures represent an improvement of current situation, we fear that general cooperation between TSOs to reduce discrepancies could not be sufficient.

7.2. Would you propose additional measures as to those proposed? Please reason your answer.

On the basis of the considerations in our response to the previous question, we recommend the FGs to impose that the Network code provides a higher level of detail on harmonised assumptions and parameters used to calculate available capacity: therefore, we believe that the Network Code should specify a well-defined methodology to calculate capacity, clarifying for instance if the calculation should consider only gas flow and pressure or temperature as well. Our experience indeed showed that, according to how TSOs decide to use some technical parameters, there may be a relevant impact on the outcome of the calculation of available capacity. This is for instance the case of the factor of friction of the network or the diameter (nominal vs real) . The possibility for shippers to know ex-ante how these parameters are used by TSOs in their calculations would certainly contribute to increase transparency.

If the inclusion of a methodology or of a minimum set of parameters within the Network Code proves to be too complicated, an alternative way to grant network users that available capacity has been calculated according to international recognized standards is imposing the certification of the calculation methodology by a specialized third party. This is, for example, a common practice with relation to newly built transmission infrastructures.

As a final and more general observation on the proposed text, we think that the FGs should not limit the Code to require TSOs to cooperate to reduce discrepancies, but it should ensure to have capacity at least at both side of an IP calculated according to the same methodology, in order to have the same amount of bundled capacity.

7.3. Would you propose different measures as to those proposed? Please reason your answer.

Refer to answer to previous questions.

8. Cross-border cooperation

8.1. Please provide your assessment on the present proposal.



We do not have particular comments on this point, but acknowledge the importance of a continuous monitoring process (by ENTSOG and by ACER) to ensure that best practices of cooperation among TSOs are implemented, as key elements for the achievement of an integrated market.

8.2. Do you have any other suggestions concerning cross-border cooperation? Please reason your answer.

We do not have particular comments on this point.

9. Please share below any further comments concerning the Framework Guideline on Interoperability and Data Exchange Rules.

Although we understand that harmonizing interoperability rules at a European level may be complex, provided the strict influence of technical constraints and physical peculiarities of each network, Edison would like to highlight the importance of having Framework Guidelines setting at least common principles to lead the behaviors of infrastructure operators, leaving then room for more “local-oriented” approaches if the subsequent cost/benefit analysis would prove that harmonisation would result too costly.