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European Energy Regulation: A Bridge to 2025

Public Consultation Paper

(PC_2014_O_01)

Enagás response

16 June 2014



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1 Executive summary

1. In its response to the pre-consultation in December 2013, Enagás was generally supportive of ACER's overall approach, and saw merit in periodically reviewing and updating the GTM.
2. Enagás supported the implementation of a common electricity and gas day, prevented from the risk of "copied and pasted" solutions from the electricity market which might not be practicable (market coupling), advocated for a harmonised methodology for the calculation of the churn rate, asked for exploring into the possibility of recommending a European wholesale supplier licence to book capacity at intra-EU IPs, noted that hubs development was likely to remain the pending subject of market integration if further actions were not adopted, and claimed that it was essential that all virtual trading points were deep and liquid. Last, it asked for mechanism to simplify the adoption of cross-border investment decisions, avoiding CBCAs before strictly needed, and, when needed, integrating in the CBCA discussions between NRAs the allowed revenues framework and the effective and allowed infrastructure costs. All these recommendations remain valid.
3. In this new response, Enagás touches upon a number of subjects mentioned by ACER in its public consultation, offering insights and practical examples relevant to the Spanish system. Based on its experience, it makes the following recommendations:
 - ACER's bridge to 2025 and the GTM2 should aim at creating mechanisms to ensure that investment decisions or sudden changes in investment plans, critically affecting the IEM, are carefully studied and shared with affected NRAs and TSOs in adjacent markets, and with ACER and the European Commission.
 - They should also advocate for further harmonisation at European level of conditions to surrender booked capacity, recommending the extension of the mechanism to other relevant points (currently only applicable at intra-European IPs).
 - Implicit allocation should be ruled out as an alternative to other forms of market integration and be considered, if anything, as a residual, complementary mechanism with very limited potential in the gas sector, that should not distract from the real objective.
 - The capacity to complete the IEM through the implementation of Network Codes should be assessed against different demand scenarios. Further investment in interconnection infrastructure will be in some cases required.
 - The goal should not be to merely ensure to improve effectiveness by realising economic pipeline investments, which should not be so difficult to achieve, but that infrastructures that lack market support but are justified in terms of social welfare (at least through a CBA) are built.
 - As regards Cross-Border Cost Allocation, Enagás considers that it is totally unrealistic to establish a framework for CBCA which implies that some national systems will bear the costs incurred in neighbouring systems, while the debate on cost efficiency and the fairness of the allowed revenues framework in that adjacent system is kept out of the table.

- CRMs should be analysed on a case-by-case basis to avoid unnecessary compensations to stakeholders that already internalised in their investment decisions the risk of infrautilisation. In any case, these payments should be borne by the electricity system, which demand this back up generation capacity, and not by the gas system.
- The role of Regional Initiatives should be protected and enhanced. They allow for a targeted and flexible approach, foster coordinated implementation and facilitate the dissemination of good practices.
- There is a case for regulatory oversight of the costs incurred by capacity platforms, and of the cost allocation rules, in order to ensure a level-playing field for all TSOs.
- The current level of effective unbundling of DSOs is insufficient and further steps towards effective unbundling should be adopted in order to ensure that DSOs are neutral market facilitators.
- The option of ownership unbundling should also be further explored for LSOs and SSOs.

2 Introduction

4. Enagás welcomes the opportunity to contribute to ACER's public consultation paper, following its participation in the pre-consultation in December 2013.
5. This response does not intend to repeat the ideas already expressed in December, but to touch upon a number of subjects mentioned by ACER in its public consultation, offering insights and practical examples relevant to the Spanish system.
6. In order to facilitate ACER's work, Enagás position in the pre-consultation, which is still valid, is summarised in this section, while the rest of the document is devoted to comment on the rest of the issues.

2.1 *Enagás position during the pre-consultation (summary)*

7. Enagás considered that ACER's overall approach is essentially right, and did not have any major concerns on the foundations of the policy to Bridge to 2025 presented in 2013. Though the initiative, in the case of natural gas, significantly overlaps with the potential review of the Gas Target Model, it allows for strengthening the overall consistency of European energy policy, and comes at the right time.
8. In particular, it is of interest that the interactions between gas and electricity are being identified, as well as the changing role of natural gas in the current and foreseen context, and that there is a genuine intention to address these issues through concrete measures, rather than providing a mere description of them. This has not always been the case in the formulation of previous policies.
9. On the field of natural gas, Enagás' comments to ACER pre-consultation focus on the interaction between gas and electricity, the GTM, infrastructure development and, particularly, on hub liquidity and market integration. The following recommendations and findings can be highlighted:
 - A common electricity and gas day should be implemented. Since it is late to change the gas day approved in the NC on CAM, it should be explored whether electricity procedures could be adapted to gas markets.
 - "Copied and pasted" solutions from the electricity market might not be practicable. This is the case of market coupling.
 - There is merit in periodically reviewing and updating the model and Enagás fully supports the new GTM process.
 - A harmonised methodology for the calculation of the churn rate should be developed, to help assessing the fulfilment of the general criteria established in the GTM.
 - The reviewed GTM should also explore into the possibility of recommending a European wholesale supplier licence to book capacity at intra-EU IPs, which would be consistent with the GTM original idea of fostering gas trades at hubs and not at borders.
 - Hubs development is likely to remain the pending subject of market integration

if further actions are not adopted. The apparent success of day-ahead price-convergence in the NWE area should be assessed against the failure of most hubs in the NWE area to achieve a sufficient degree of liquidity, the remaining network constraints, the fact that in most of European countries outside the NWE hubs are either illiquid or inexistent, and the general failure to develop forward and future markets.

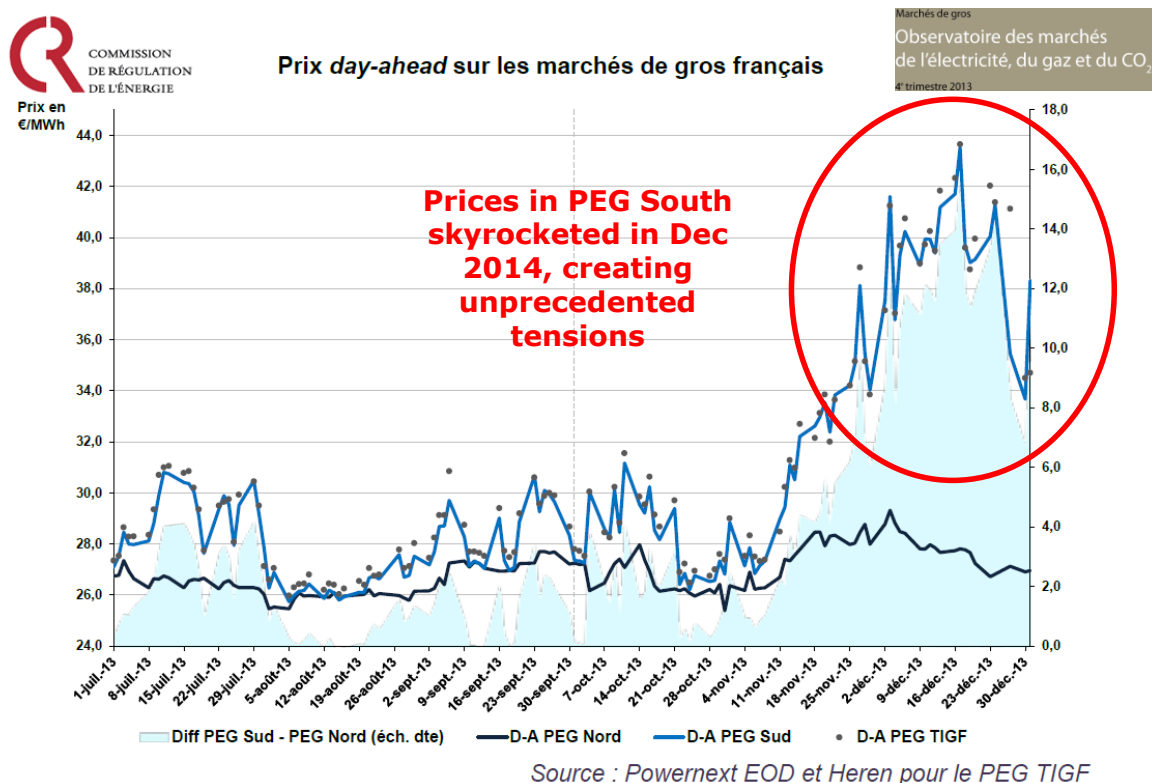
- It is essential that virtual trading points are deep and liquid. The stability of price convergence in the long term, while some physical constraints remain, is to be proved. The degree of price convergence in 2013 has been lower than in 2012. The possibilities of peripheral countries to ever achieve the same degree of price alignment as the hubs in the NWE limited.
- Infrastructure development remains key to ensure market integration. In order to facilitate market integration, apart from the overall CBA, the CBA should be independently performed in each country, and if individually passed in all of them, the investment should be made without requiring further discussions on cost allocation. This should be true for mechanisms under both "Incremental capacity" and for "Open Seasons". The Gas Target Model could provide guidelines on this.
- In cases where the overall CBA is passed but not all the individual CBAs, discussions between NRAs should include the allowed revenues framework and the effective and allowed infrastructure costs. Otherwise, consumers in one country will be asked to pay for some allowed revenues to a TSO in another country whose underlying costs have not been assessed by the regulator in charge of protecting their interests.

3 Key issues

3.1 Ensuring the right to benefit from the Internal Energy Market to every European consumer

10. The objective expressed in the consultation that "every European final customer should have the right to benefit from a functioning market (based on 3rd Package provision)" will not be met for more than 55 million European citizens in Portugal and Spain, including 8 million gas final consumers, as long as the interconnection between the Iberian Peninsula and the rest of Europe is not built.
11. The markets of Spain and Northern France are insufficiently connected to ensure a single market.
12. Price differentials exist throughout the whole year and reach high peaks in Winter (higher than between any two other adjacent countries in Europe). Capacity from France to Spain is sold at prices above the reserve price (i.e. a premium is paid at auctions), which is rare in Europe and clearly signals physical congestion.

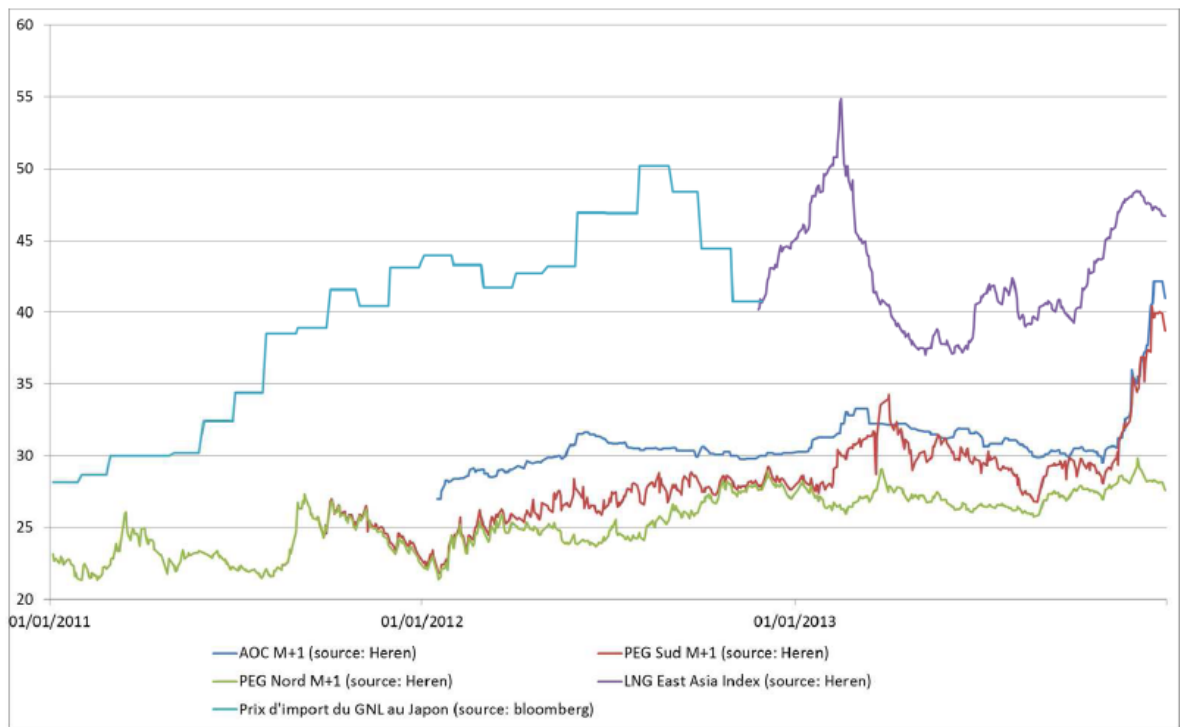
Day-ahead prices in French PEGs



Source: CRE, "Observatoire des marchés d'électricité, du gaz e du CO₂", 4Q2013¹

¹ Available at: <http://www.cre.fr/marches/observatoire-et-indicateurs-des-marches/consulter-l-observatoire-des-marches-de-gros-du-4e-trimestre-2013>

Price of gas in France, Spain and Japan since January 2011

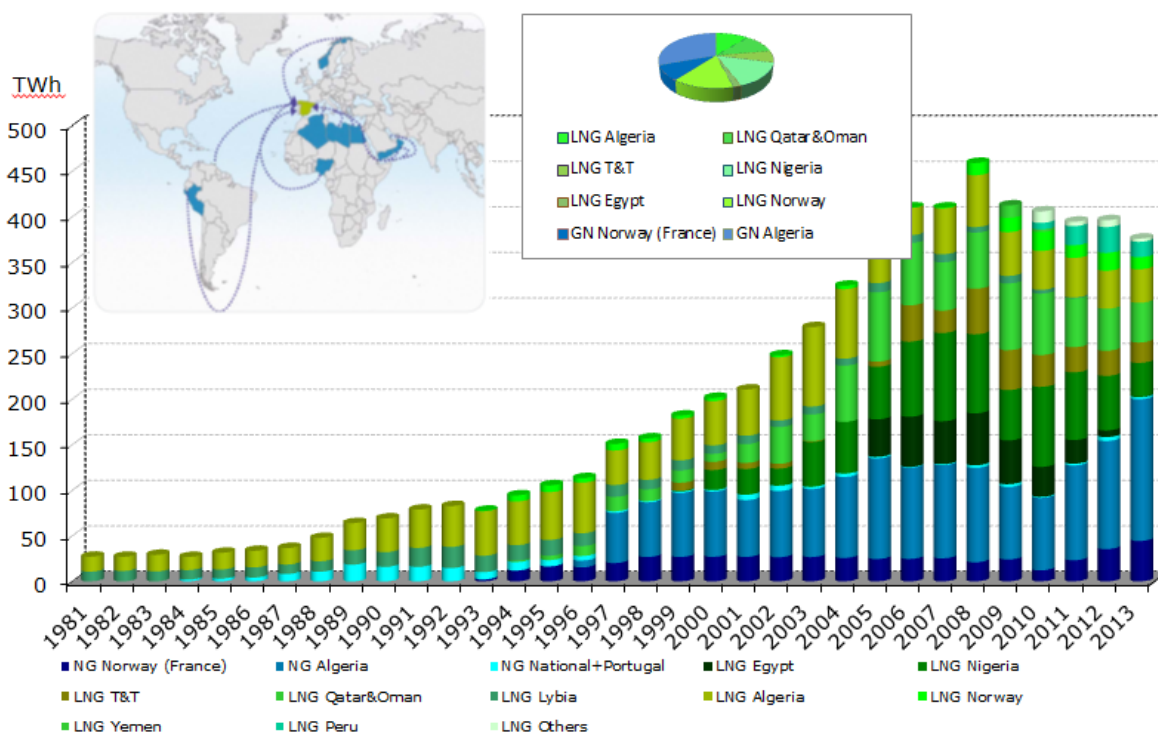


Source: Esnault, Benoit, "Retail Price Regulation vs Competition, the Case of France", 25 March 2014²

13. As regards the route from South to North, there is a tremendous potential to convert Spain in a transit route for North-African gas and eventually to transport gas coming in the form of LNG to Spain to solve peaks of demand. This would contribute to further diversify gas origins and routes.

² Available at: <http://fsr.eu.eu/Documents/Presentations/Energy/2014/140324-28GasTraining/140324-28EsnaultBenoit.pdf>

Diversification of supplies to Spain, 1981-2013



Source: Enagás

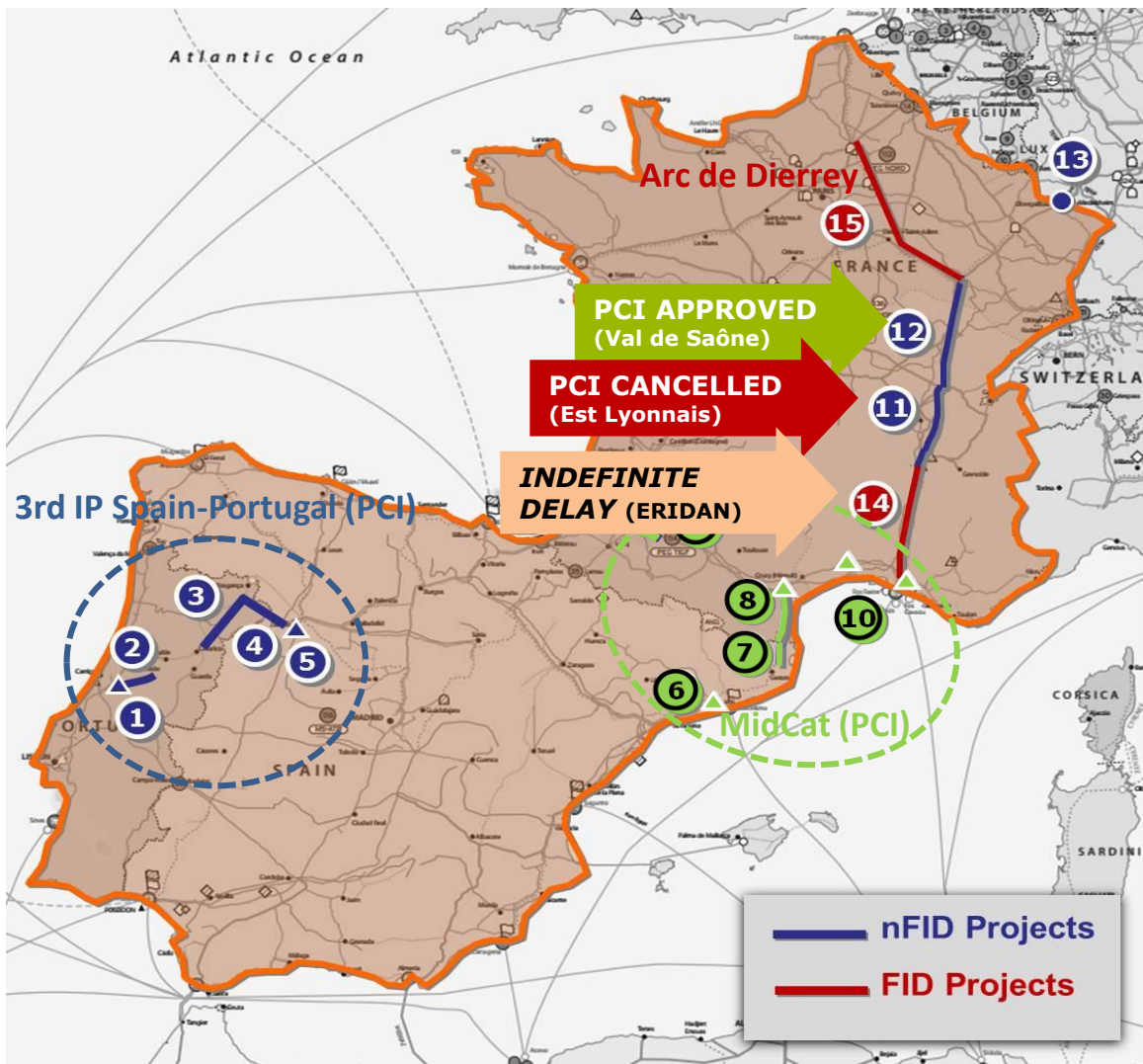
14. Yet, MidCat, the bidirectional interconnection project between France and Spain, has recently been hit by the indefinite delay of the ERIDAN project in France by CRE,³ a project labelled as FID (Final Investment Decision adopted) since 2011 and which is a critical part of the North-South corridor which includes 4 PCIs. ERIDAN itself, the cornerstone of the whole corridor, would have been a PCI if its FID had not been adopted in advance.

3

CRE, "Délibération de la CRE du 7 mai 2014 portant orientations relatives à la création d'une place de marché unique en France en 2018", 7 May 2014. Available at: <http://www.cre.fr/documents/deliberations/orientation/place-de-marche-unique-en-2018/consulter-la-deliberation>

GRTgaz, "16 mai 2014 - Décision de GRTgaz à la suite du débat public", Available at: http://www.grtgaz.com/fileadmin/grands_projets/lyonnais/documents/fr/decision-VDS-mai2014.pdf

Projects of Common Interest in the North-South corridor



Source: South Gas Regional Investment Plan and self-made

15. Enagás is greatly concerned about the change in the investment plans already approved in France since 2011, and in particular the indefinite delay of the ERIDAN project and the potential cross-border impact it could have.⁴ The Est Lyonnais project, another PCI in the region, has also been cancelled.
16. ERIDAN was included in the modification of GRTgaz investment plan approved by CRE in April 2011, as well as in all subsequent GRTgaz investment plans. It has been considered as FID in a number of documents and processes, including ENTSOE TYNDP 2013-2022, and the selection of Projects of Common Interest (PCIs) in 2013; it has had an influence on the selection Val de Saône in particular, which has already made an investment request to CRE and CNMC. Moreover, it

⁴ For further information on the indefinite delay of ERIDAN see Enagás response to CRE’s “Public consultation on the creation of a single gas marketplace in France in 2018”, available at: <http://www.cre.fr/documents/consultations-publiques/creation-d-une-place-de-marche-gaz-unique-en-france-en-2018/consulter-les-reponses-non-confidentielles>

has received a 74 M€ EC subsidy under the Recovery Plan.

17. The solution adopted by the CRE to unify the French market, changing plans already approved in 2011, is not neutral to the Iberian market, since it undermines the possibilities of ever creating new interconnection capacity between the Iberian Peninsula and France. Nor is it entirely equivalent from the point of view of the French market: TSOs previous analysis published during the public consultation phase emphasizes that the solution is not valid for a reversal of the LNG market and a South-North issue (i.e. is not valid for the creation of new capacities at Fos). The decision was largely based on a CBA whose details were not fully provided, and that may have a number of shortcomings that should have been addressed. Another issue to be considered is whether NRAs, whose statutory role is to protect national end-consumers interests, are in a position to adopt on their own decisions with European-wide impact.
18. **ACER's bridge to 2025 and the GTM2 should aim at creating mechanisms to ensure that investment decisions or sudden changes in investment plans, critically affecting the IEM, are carefully studied and shared with affected NRAs and TSOs in adjacent markets, and with ACER and the European Commission.**

3.2 Mitigation of the negative spiral on prices caused by declining demand

19. The negative spiral caused by declining demand, and leading to increased grid charges for remaining grid users, is in most of countries softened and distributed throughout a period thanks to the existence of Ship-or-Pay clauses in long-term contracts. By these clauses, shippers are obliged to pay for the capacity regardless the actual use. This ensures that the stakeholders that initially caused the need for investment bear the cost, avoiding that when demand declines a negative effect is passed immediately to the remaining shippers; it also mitigates the risk of stranded assets.
20. Some further harmonisation at European level would be desirable. The Spanish case illustrates the negative effects that the lack of effective Ship-or-Pay clauses in long-term contracts may have.
21. In Spain there is an exceptional provision in the regulatory framework (Royal Decree 949/2001), when compared to the rest of Europe, which is the possibility for network users to reduce the capacity booked or even to terminate their long-term contracts at very low price during the first year of the contract, or one year after the starting date, while long-term contracts are binding for the counterparty, the TSOs. Shippers make use of this provision to reduce their capacity when it temporary losses its commercial value, creating inefficiencies.
22. This contractual flexibility, the lack of long-term contracts binding upon users, which has its origin in a very different context of scarcity of capacity in basic infrastructures more than a decade ago, in which the entry of new players was

encouraged, has today very negative consequences in our system.⁵ It has already resulted in the cancellation of more than 50 GWh/d of capacity from Spain to France in Summer 2013, as from 1st April 2014, of capacity originally contracted for 19 years from 1st April 2013 to 31st March 2023. This capacity was sold on a coordinated manner in an Open Season held in 2009 by 4 TSOs, and was perfectly matched for 10 years. The cancellation is only effective on the Spanish side, leaving more than 50 GWh/d of unbundled capacity on the French side for 9 years, at a time when the NC CAM promotes the commercialisation of bundled capacity and urges TSOs to bundle contracts as soon as possible.

23. While Spanish authorities have lacked courage to allow for the effective implementation of Ship-or-Pay clauses, thanks to the applicability from 1st October 2013 of CMPs included in Regulation 715/2009, and namely "Surrender of booked capacity", a new condition was established for cancelling contracts at intra-European IPs: the capacity had to be offered to the market and booked by another shipper; until then, the original shipper retains all rights and obligations. This has prevented the release of capacity of other shippers for free.

24. ACER's bridge to 2025 and the GTM2 should advocate for further harmonisation at European level of conditions to surrender booked capacity, recommending the extension of the mechanism to other relevant points (currently only applicable at intra-European IPs).

3.3 The limits and risks of implicit allocation of capacity

25. Enagás welcomes ACER intention to "examine the possible tools of market integration as part of the Gas Target Model review".

26. The lack of concretion of the different models has led to a general misunderstanding of the "trading region" concept, for which ACER has not provided enough insights. This might have prevented the application of the model to adjacent markets for which it is appropriate.

27. The Gas Target Model also mentioned implicit allocation of capacity as a possible means of integrating markets. Enagás already expressed its opinion in December 2013 during the pre-consultation held by ACER that "*Copied and pasted*" solutions from the electricity market might not be practicable. This is the case of market coupling.

28. It is worth noting that as of June 2014, as regards the natural gas sector, only one pilot project has been carried out in Europe, between the North and South areas of GRTgaz. Implicit allocation in the gas sector received harsh criticism from many stakeholders when a public consultation was run in late 2012 in the NWE region.⁶ Other projects, like the one announced in 2012 by Gasunie between its two owned TSOs in The Netherlands and Germany, have not been implemented are not under

⁵ In particular, it hampers the enforcement of an entry-exit system with differential pricing, particularly in the Spanish system where there is spare capacity. Users can change their location contracts to optimise their payments, which could defeat the provisions of revenue equivalence and from the operational point of view could lead to big changes in flow patterns.

⁶ GRI NW, "Draft position paper for consultation Exploring the feasibility of implicit allocation in the (North West) European gas market", 1 October 2012, Available at: http://www.acer.europa.eu/Gas/Regional_%20Initiatives/North_West_GRI/Documents/RCC%20position%20paper%20on%20feasibility%20of%20implicit%20allocation%20in%20the%20gas%20market.pdf

consideration anymore.

29. The conclusions by NRAs of the NWE region, presented at the 23rd Madrid Forum,⁷ were that *implicit allocation can have added value, but its feasibility should be assessed once CAM and CMP are up and running:*

- *Implicit allocation is useful if price difference is sufficient, it can lower transaction costs, improve use of capacity (thus solves several identified allocation issues)*
- *However, CAM and CMP are likely to also solve these issues: feasibility of implicit allocation should thus be re-evaluated once CAM and CMP are up and running*
- *RCC considers – but stakeholders question – that a coordination problem will effectuate due to profiled booking: effect difficult to predict (await CAM and CMP)*
- *But: implicit allocation could have added value between two adjacent Member States: In case of positive cost/benefit analysis, pilot projects to be considered.*

30. Despite the very clear conclusions on implicit allocation in an area where liquid hubs already exist and implementation of CAM and CMPs is generally ahead of other areas, and the poor evidence as regards pilot projects, in a recent consultation launched in Spain and Portugal by NRAs (countries where no organised markets even exist), Iberian regulators root for implicit allocation as the cornerstone of market integration.⁸ In the referred document, which merely mimics the rules applied in the electricity market and lacks an original and objective analysis of the merging and trading region models, NRAs underestimate the legal and regulatory hurdles to implement implicit capacity auctions, when compared to the conclusions arrived to in the NEW. Unlike NWE NRAs, Iberian NRAs do not even recommend making a proper Cost-Benefit Analysis before deciding on the implementation of the model.

31. The project carried out by GRTgaz has the following characteristics: (1) it was implemented between areas of the same TSO, (2) it was implemented within the same country, (3) it was only implemented for day-ahead capacity, (4) explicit allocation of capacity is the only mechanism for monthly, quarterly and annual products and was kept in parallel to implicit allocation also for short-term products (5) the two areas connected already had established hubs, one of them enjoying reasonable degree of liquidity and more importantly, (6) there was contractual and frequently physical congestion.

32. The implementation of implicit allocation in the case of Iberia would have the

⁷ "Progress report on key projects - GRI North West", 23rd Madrid Forum, 17-18 April 2013. Available at: http://ec.europa.eu/energy/gas_electricity/gas/doc-23/11.02_mf23_presentation_by_acer_-_progress_report_on_key_projects_-_gas_regional_initiatives_-_north.pdf

⁸ ACER, CNMC, ERSE, "Study about models for integration of the Spanish and Portuguese gas markets in a common Iberian Natural Gas Market. ", June 2014. Available at: http://www.acer.europa.eu/Gas/Regional_%20Initiatives/South_GRI/Public_Consultations/Pages/PC-on-the-integration-of-the-ES-PT-gas-markets.aspx

following characteristics: (1) it would be implemented between areas of different TSOs, still in the process of harmonising CAM and CMP rules, (2) it would be implemented between countries with different legal and regulatory regimes, (3) the proposal is not clear on the products and suggests that every kind of explicit allocation could even be ruled out, (4) does not clarify if explicit allocation would be kept in parallel in case it continued existing (5) the two areas connected do not have organised hubs, none of them is likely to enjoy at the beginning a reasonable degree of liquidity and more importantly, (6) there is no contractual or physical congestion at all, not in a single day throughout the year, as a figure included in the consultation document shows. Therefore, the project would not pass a CBA, especially if the promoter claimed the right of receiving regulated revenues for it.

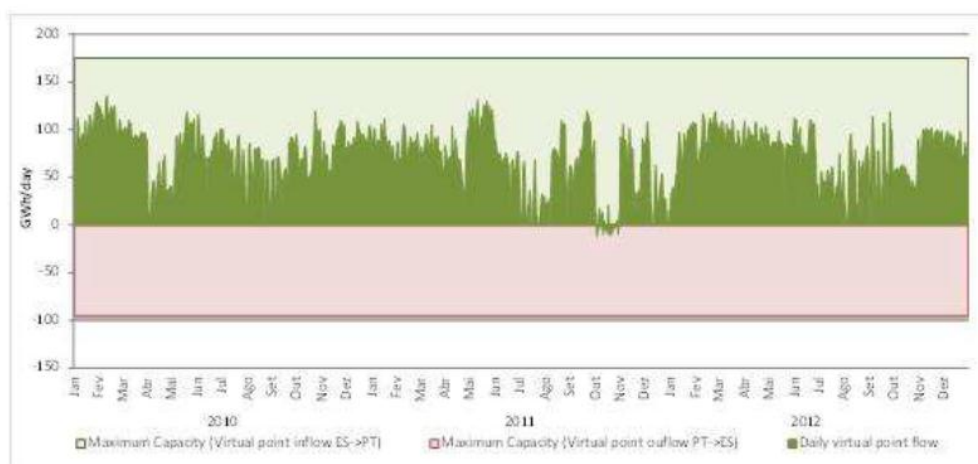


Figure 10. VIP interconnection daily flow capacity. Source: ERSE

33. In conclusion, there is a risk that prioritising implicit allocation of capacity, works on analysing the implementation of the models that allow for a veritable integration (market integration or trading region) will be postponed and benefits from integration will not be realised, while resources are wasted in the interim in analysing and developing implicit allocation of capacity.
34. **Implicit allocation should be ruled out as an alternative to other forms of market integration and be considered, if anything, as a residual, complementary mechanism with very limited potential in the gas sector, that should not distract from the real objective.**

3.4 Relationship between market integration and network codes implementation

35. Enagás shares ACER's view that "Gas wholesale markets are also becoming more integrated as a consequence of the implementation of the provisions in the network codes and greater cross-border cooperation." CMP and Transparency provisions in Regulation 715/2009, and the NC on CAM (Regulation 984/2013) are clearly contributing to the completion of the IEM.
36. It should be borne in mind, however, that price convergence between hubs may have not been only the consequence of an (undeniably) more efficient management of interconnection capacity through the implementation of NCs, but

also market dynamics, namely a general change (decrease) in demand and a change of flow patterns due to the situation of the market (relative pipeline gas “abundance” and LNG scarcity). In some cases market dynamics may have worsened price convergence between gas regions.

37. Spain provides two examples of this.

- Badajoz/Campo Maior is the main physical interconnection point between Spain and Portugal, and accounts for most of the capacity of the new VIP, which was near saturation in the past. This was the reason why it was originally decided to run a pilot project for a coordinated allocation of capacity, with auctions at this point. However, at the time of celebrating the first auctions in 2012, the point was totally decongested due to a decrease of demand in Portugal, and no congestion is expected at least in the mid-term.
- Larrau is the main physical interconnection point between Spain and France, and accounts for most of the capacity of the new VIP. Since the change of situation in the LNG market triggered by the Fukushima accident, the point is subject to physical congestion due to the preference of the Spanish market for pipeline gas over LNG. Since the implementation of auctions in 2014, a number of auctions have resulted in premiums over the reserve price. While the implementation of codes is leading to a more efficient management of capacity, in terms of market integration the situation has worsened due to the prevalent effect of market dynamics.

38. **The capacity to complete the IEM through the implementation of Network Codes should be assessed against different demand scenarios. Further investment in interconnection infrastructure will be in some cases required.**

3.5 Energy Infrastructure Package's limits

39. The Commission’s Energy Infrastructure Package (EIP) is proving to be insufficient for ensuring interconnection between markets. Recent decisions in France while this consultation was running, cancelling a project identified as essential for ensuring market integration and which had already been labelled as “FID” in 2011, prove that NRAs still have a strong national approach to investment decisions and lack a European-wide view. There are no mechanisms to prevent such decisions.

40. **The goal should not be to merely ensure to improve effectiveness by realising economic pipeline investments, which should not be so difficult to achieve, but that infrastructures that lack market support but are justified in terms of social welfare (at least through a CBA) are built.** This should be the interpretation of the GTM’s guideline that “efficient investments in network interconnection capacity take place”. Otherwise the UE will be renouncing to ever have a truly integrated energy market.

41. **As regards Cross-Border Cost Allocation, Enagás considers that it is totally unrealistic to establish a framework for CBCA which implies that some national systems will bear the costs incurred in neighbouring systems, while the debate on cost efficiency and the fairness of the allowed revenues framework in that adjacent system is kept out of the table.** A national system (i.e. its end-consumers) cannot be obliged to pay for investments whose cost-efficiency and adequacy is unknown. The control of NRAs

at a national level is clearly insufficient to this regard, given that their statutory role is to protect national end-consumers, and therefore NRAs have an incentive to over-allocate costs to adjacent systems. The current European regulatory framework (Third Package + EIP) is insufficient for providing an effective solution to this problem.

3.6 Capacity remuneration mechanisms (CRMs) rationale

42. Enagás shares the view that every step towards developing CRMs needs to be clearly justified and carefully evaluated.
43. In some countries CRMs will be required in order to either prevent that CCGTs that are needed to back up non-programmable renewable energy (NP RES) generation capacity are dismantled, or to incentivise their construction of new plants if required.
44. In other countries, where CCGTs were built at market risk, and knowing in advance that they could not be dismantled but with the previous authorisation of the government and the favourable opinion of the electricity TSO, it can be argued that generators already internalised in their decision the risk of infrautilisation, and that any regulated payment is not required and would constitute a windfall remuneration (a way of socialising losses in a business where profits would have been kept by the promoter).
45. Steps towards developing CRMs contrast with the lack of a debate on the adequate remuneration of gas infrastructures, generally made on a regulated environment, that allow for the provision of back up services.
46. **In summary, CRMs should be analysed on a case-by-case basis to avoid unnecessary compensations to stakeholders that already internalised in their investment decisions the risk of infrautilisation. In any case, these payments should be borne by the electricity system, which demand this back up generation capacity, and not by the gas system.**

3.7 Role of the regional initiatives

47. Enagás remains convinced that the South Gas Regional Initiative has not only been an extraordinary tool to achieve greater market integration through the development of further infrastructures thanks to the organisation of Open Seasons, but that it is and it will be the main means to ensure a timely and harmonised implementation of NCs.
48. The exchange of experiences between GRIs, if properly organised, is also a useful mechanism for progressing towards the IEM.
49. As regards what can be done, ACER and in special the CE should show more commitment towards being represented in the meetings. The effective and proactive presence of EC and ACER representatives in Implementation Groups and Stakeholder Groups is in itself an incentive for all parties to show progress.
50. **As a conclusion, the role of Regional Initiatives should be protected and enhanced. They allow for a targeted and flexible approach, foster coordinated implementation and facilitate the dissemination of good practices.**

3.8 Appropriate regulatory oversight of new entities

51. Enagás totally agrees that the with the creation of new entities and the changes of roles of others, NRAs and ACER are required to propose governance arrangements that strike a balance between the flexibility needed to reach efficient market-led solutions and the protection of the public interest.
52. It must be highlighted that art. 27 of Regulation 984/2013 is specifically devoted to capacity booking platforms. Also, that TSOs shall apply the Regulation by offering capacity by means of one or a limited number of joint web-based booking platforms. In particular, the Regulation reads that “the establishment of one or a limited number of joint booking platforms shall facilitate and simplify capacity booking at interconnection points across the Union for the benefit of network users.” In summary, there is a regulatory requirement to limit the number of booking platforms, which is an advantage for already established platforms.
53. A monitoring role is granted to ENTSOG, in particular though the development of a report that shall identify options to implement the indicated market needs, having regard to costs and time, with a view to implement the most appropriate option, by TSOs or third parties on behalf of them. Where appropriate, ENTSOG and the Agency shall facilitate this process.
54. The regulatory obligation to limit the number of platforms, the need for implementing the Network Codes on time, the decisions already adopted by adjacent TSOs, the need to ensure interoperability between platforms, and the attitude of NRAs towards allowing platform costs, are factors conditioning the decisions of TSOs. However, not every TSO is in a position to negotiate the appropriate allocation of platform costs, in particular with already established platforms, and there are no guarantees that such allocation will be based on factors related to the services provided (e.g. the number of IPs, the services used, or level of volumes offered and/or allocated by each TSOs).
55. **Therefore, there is a case for regulatory oversight of the costs incurred by these capacity platforms, and of the cost allocation rules, in order to ensure a level-playing field for all TSOs.**

3.9 DSOs unbundling

56. **Enagás believes that the current level of effective unbundling of DSOs is insufficient and further steps towards effective unbundling should be adopted in order to ensure that DSOs are neutral market facilitators.** This should include an analysis of the possibility of implementing ownership unbundling. In particular, DSOs have a key role in the provision of information for the proper implementation of the NC BAL.
57. **The option of ownership unbundling should also be further explored for LSOs and SSOs.** It is interesting to note that there is a tendency to create integrated infrastructure operators, and that in practice regulated LNG terminals (and some exempted terminals as well), and an increasing number of storages are operated by regulated TSOs subject to ownership unbundling. To a large extent, this ownership unbundling of LSOs and SSOs is already happening.



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