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**ACER Public Consultation on the
methodology for implementation
monitoring and evaluation of the
impact of the gas Network Codes and
Guidelines on the internal gas market**

Evaluation of responses

19 October 2015

1 Introduction

Article 9 of Regulation (EC) No. 715/2009 lays down rules for the Agency to monitor and analyse the implementation of the Network Codes and the Guidelines adopted by the European Commission. Under this article the Agency is responsible for assessing the effects of the codes in facilitating market integration, as well as on non-discrimination, effective competition and the efficient functioning of the market.

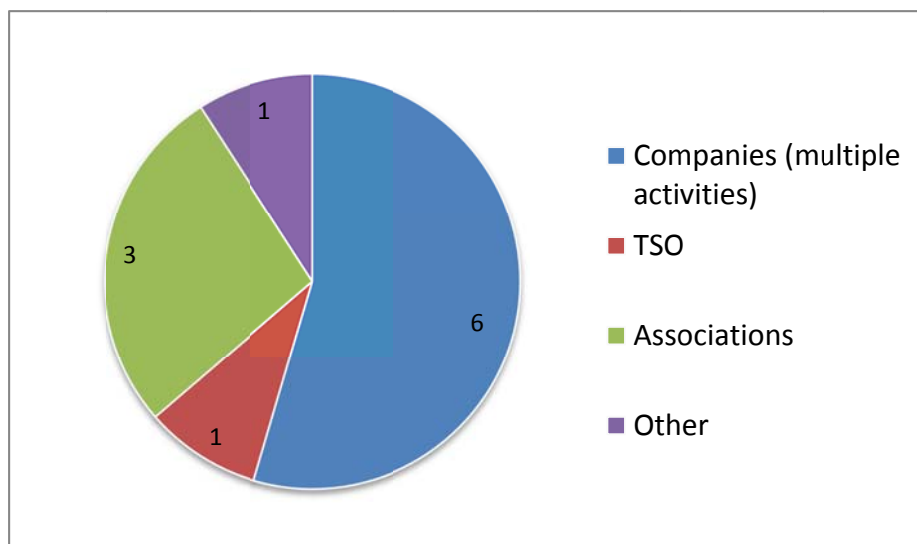
The Agency commissioned a consultancy study led by Cambridge Economic Policy Associates (“CEPA”). The study proposed a methodology to evaluate the impact of the gas Network Codes and Guidelines on the internal gas market by developing indicators able to describe the network codes and general market features¹.

2 The process of the consultation

In order to collect stakeholder feedback on this methodology, on 12 June 2015, the Agency launched a public consultation on the study (PC_2015_G_04) and invited stakeholders to give an opinion on the indicators. An on-line questionnaire was prepared for the stakeholders to this end.

The public consultation closed on 17 July 2015. The Agency received responses from 11 stakeholders, which were published on Agency’s website.² Stakeholders’ answers³ are represented in the Figure 1 below.

Figure 1: Respondents by type



¹ CEPA study on Implementation monitoring and evaluation of the impact of the gas network codes and guidelines on the internal market,
http://www.acer.europa.eu/Official_documents/Public_consultations/PC_2015_G_04/CEPA%20Proposed%20Methodology%20for%20Monitoring%20and%20Evaluation%20of%20Impacts%20of%20Gas%20NCs.pdf

² http://www.acer.europa.eu/Official_documents/Public_consultations/Pages/PC_2015_G_04.aspx

³ See Annex II for the complete list of stakeholders.

3 Summary of responses

3.1 Indicators for Congestion Management Procedures Guidelines (“CMP GLs”)

Of the 11 responses received, 8 commented on the proposed Congestion Management Procedures Guidelines (CMP GLs) indicators. Most respondents supported the need for CMP (Congestion Management Procedures) indicators. They commented on aspects to be improved.

Three respondents considered that **CMP.2 (Utilisation of contracted capacity at IPs per shipper)** should be deleted as it would not indicate anything more about the success of CMP than proposed indicator **CMP.3 (Aggregate utilisation of contracted capacity at IPs (flows/booked capacity))**. In addition it may compromise the commercial confidentiality of shipper data.

Two respondents considered that indicator CMP.3 should use nominations rather than actual flow data.

Four respondents considered that some form of indicator explicitly measuring congestion should be used, as CMP is relevant only in the presence of congestion. Suggestions included ‘unsuccessful requests for capacity at IPs’.

Two respondents considered that the enhanced secondary trading of capacity indicator proposed for CAM (Capacity Allocation Mechanism) should also be used for CMP, as a more robust secondary market would reduce congestion.

Two respondents suggested the inclusion of an indicator measuring whether a coherent approach to CMP was being adopted on both sides of IPs i.e. the same CMP measures were applied.

Concerning additional indicators one respondent suggested analysing CMP.3 in conjunction with other variables (e.g. price spreads between markets; overall import capacity+ production / overall gas consumption in the market area).

3.2 Indicators for the Network Code on Capacity Allocation Mechanisms (“NC CAM”)

Of the 11 responses received, 7 commented on the proposed Network code on Capacity Allocation Mechanism (NC CAM) indicators.

Three respondents either disagreed with or found problematic **CAM.1 (Year-on-year increase in average-day and peak-period technical capacity at IPs⁴)**. They disagreed that increasing total technical capacity was an objective of NC CAM. In this regard one respondent commented that Article 6 of NC CAM specifies the desired effect which is the ‘maximization of the offer of bundled capacity through the optimization of the technical capacity’.

^{4 4} In the final report, CEPA reviewed the CAM.1 indicator accordingly, see Annex I, Table 1

Another respondent noted that in some cases the optimisation of technical capacity may result in the decrease of technical capacity at some IPs and therefore queried whether the indicator would be meaningful.

Most respondents supported the inclusion of indicators **CAM.2 (Bundled capacity release)** and **CAM.3 (Share of total capacity sold as bundled on capacity booking platforms)**, although one respondent noted in respect of CAM.2 that total bundled capacity release would not say much on its own, particularly in smaller markets where bundled capacity is already released.

Another respondent noted in respect of CAM.3 that some countries have implemented the NC CAM in such a way that flange trading is allowed, and in such situations the share of total capacity sold as bundled on capacity booking platforms would not necessarily increase.

One respondent considered that proposed indicator **CAM.4 (Secondary market-traded bundled capacity and unbundled capacity)** should be removed as NC CAM does not affect secondary trading.

Three respondents considered that proposed indicators **CAM.5 (Contractual capacity utilisation at IPs (booked/technical capacity))** and **CAM.6 (Physical capacity utilisation at IPs (flows/technical capacity))** were more related to CMP and already covered by the proposed CMP indicators.

In connection with CAM.6 one respondent asked for clarification, as they understood ‘flows’ should refer to ‘nominated flows’ and not ‘technical flows’.

Two respondents considered an indicator measuring the harmonisation of capacity products and the harmonisation of the timing of CAM auctions should be included.

In connection with proposed indicator CAM.2, one respondent suggested the inclusion of an indicator measuring the volume of bundled capacity offered on the secondary market in order to see if the unused bundled capacity is offered on the secondary market.

5 respondents would welcome an indicator measuring the frequency of unused capacity arising from technical bundled capacity mismatches be considered. They underline that this issue acts as a potential barrier to realizing efficient cross-border gas trades.

3.3 Indicators for Incremental capacity (amendment to NC CAM)

Of the 11 responses received, 5 respondents commented on the proposed Incremental capacity (INC) indicators. Two respondents commented that as the NC CAM amendment incorporating the incremental capacity procedures has not yet entered comitology it may be too early to specify INC indicators, or at the very least they should be revised following completion of the comitology process.

Although respondents supported the need for INC indicators, most were at best undecided whether the INC indicators proposed were good ones, and two respondents were on the whole not in favour of those proposed.

Concerning **INC.1 (Incremental and new capacity offered through open season / auctions⁵)** indicator, two respondents considered that this indicator should be revised to measure the proportion of incremental capacity allocated via CAM auctions and alternative allocation mechanisms on the understanding that all incremental capacity would be offered via open season procedures initially.

A number of respondents queried the usefulness of all three indicators themselves, and whether they would allow any conclusion on whether the incremental capacity procedure works efficiently. It was noted that the proportion of incremental capacity allocated via open season or auctions would not indicate whether the allocation was efficient.

Similar criticisms were levelled at the use of **INC.2 (Proportion of proposed incremental/new capacity projects that pass/fail the economic test)** and **INC.3 (Range of f-factor values used in the calculation of the economic test)**. In the case of INC.2 it was noted that it may be efficient that some project fail the economic test because they are not economically viable.

Further, monitoring the range of f factors as proposed in INC.3 would be descriptive rather than indicative of measurement of efficiency.

3.4 Indicators for the Balancing network code (“NC BAL”)

Of the 11 responses received, 7 respondents commented on the proposed Balancing (BAL) indicators.

Two respondents identified a methodological concern with the way in which proposed indicators **BAL.1 (TSO balancing through short-term standardised products vs. balancing services contracts)** and **BAL.2 (TSO share of total balancing)** would be measured. Both respondents noted that the criteria that transactions must be concluded after 1 p.m. on day D-1 could create the false conclusion that all transactions concluded after this time were for balancing purposes and indeed that no transactions completed before this time, could be for balancing purposes.

To mitigate this problem one of the respondents suggested that data on TSO balancing actions should be collected directly from TSOs. One of the two respondents also disagreed with the need for physically settled balancing services. The respondents noted that both the Gas Target Model (GMT 1⁶) and article 9 of the BAL NC prioritise the use of title products where and to the extent appropriate over any other available short term standardised products.

Three respondents commented on **BAL.3 (Physical line pack day-on-day changes)**, suggesting its removal, improvement or replacement. Two of these respondents noted that the proposed indicator was problematic: it would not differentiate between linepack used for commercial balancing purposes and linepack used or created for technical reason.

One respondent suggested the inclusion of an indicator monitoring the difference between the linepack at the end on D-1 and 6 a.m. on D Day in addition to BAL.3.

⁵ In the final report, CEPA reviewed the INC.1 indicator accordingly, see Annex I, Table 1

⁶ http://www.ceer.eu/portal/page/portal/EER_HOME/EER_CONSULT/CLOSED%20PUBLIC%20CONSULTATIONS/GAS/Gas_Target_Model/CD/C11-GWG-82-03_GTM%20vision_Final.pdf

Two respondents commented on proposed indicator **BAL.4 (Balancing net neutrality analysis)**. One queried whether it was relevant, as it is the role of NRAs to ensure that neutrality charges are set in a way that TSOs remain neutral in their balancing tasks: it is not an indicator that should assess whether the NC BAL works efficiently.

Other suggestions for additional balancing indicators included the introduction of indicators to follow the prices and the volumes associated with TSOs balancing actions, in line with the duty set in Regulation 312/2014⁷, art.11, and implementing TSO incentive mechanisms on the basis of these indicators.

The same respondent also suggested creating a service quality indicator to measure differences between the prices of the TSOs interventions and the average price observed in the market. He suggested as well reintroducing some of the indicators listed in the Table 5.7 of the CEPA study, namely:

- total volume traded (both involving TSO and non-TSO participants);
- number of independent participants;
- the inclusion of an indicator measuring movements within-day cross-border flows as an effective way of measuring cross border balancing arrangements.

One respondent suggested the amalgamation of indicators BAL.2, BAL.3 and BAL.4.

Concerning additional (new) indicators 3 respondents proposed the inclusion of an indicator measuring the quality of data, including the accuracy of its forecast (balancing data). In this regard one respondent suggested the inclusion of the indicator ‘Publication frequency of the data on the balancing status of each shipper’, and that such an indicator could be complemented by an ex-post analysis of the accuracy of this information, assessed as a separate indicator or as a compounded indicator in conjunction with the frequency of publication.

3.5 Indicators for the Tariffs network code (“NC TAR”)

Of the 11 responses received, 8 respondents commented on the proposed NC TAR indicators. Of those who commented 5 considered that it was either too soon to develop NC TAR indicators, until the NC TAR had been finalised, or that NC TAR indicators should be revised in light of the finalisation of the code.

None of the respondents considered that any of the proposed NC TAR indicators were inappropriate. Some suggestions for additional indicators and improvements were received.

Two respondents indicated that the qualitative indicators proposed for indicators **TAR.1 (Stakeholder assessment of robustness of decision making and overall process associated with establishment of tariff methodology)**, **TAR.2 (Assessment of availability of all models and data to enable replication of actual tariffs)** and **TAR.3 (Stakeholder assessment of information availability to enable tariff predictions)** should be quantified in some way.

⁷ EC Regulation (EU) No 312/2014 establishing a Network Code on Gas Balancing of Transmission Networks, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0312&from=EN>

One respondent indicated that the current draft of NC TAR would require NRAs/TSOs to hold a periodic consultation on the tariff methodology and that the results of this could be used as part of TAR.1.

The same respondent considered that TAR.2 may be problematic since it measures something that the NC TAR does not actually mandate.

Three respondents considered that indicator **TAR.6 (Multipliers applied by each TSO)** should be adjusted to broadly measure whether the right balance between short term and long term capacity bookings was achieved. One respondent indicated that since the current version of NC TAR proposes a range for multipliers, publishing the actual level of multipliers wouldn't say very much in itself.

Four respondents considered a **new indicator** should be added measuring year on year tariff level volatility following implementation of NC TAR.

Three respondents considered a **new indicator** should be added to check that the TSO satisfies all of the publication requirements of NC TAR.

3.6 Indicators for Effective Competition

Of the 11 responses received, only 5 commented on the competition indicators. **One respondent** mentioned that to assess liquidity covered to varying degrees in **CO.1-C.10**, the relevant market must be defined. Otherwise, the conclusions drawn from the data could be distorted.

The other comment related to **CO.1 (Herfindahl–Hirschman Index (HHI) indicator)** and **CO.2 (Residual Supply Index RSI)** expressing that both indicators rely on approved statistical methods and the interpretation using results from different markets should provide a good measure on the state of market competition.

Two other respondents commented on the proposed **CO.3 (Price-cost margin (PCM))** indicator. One respondent stressed that CO.3 seems to be based on much more complex data requirements than CO.1 and CO.2 and as a result of using incomplete data – might lead to an interpretation bias. Another respondent commented that this indicator is expected to require considerable costs (moderate); considerable time/effort (high) as well as external expertise.

One respondent commented on the proposed **CO.4 (Gas demand) indicator** and supported the designation of this indicator as a basis for evaluating other indicators but recommended caution regarding the amounts of transit gas included in demand figures.

One respondent commented on the proposed **CO.5 (Participants)** indicator and noted that the number of suppliers to end-consumers should also be taken into account as these are a direct mirror for the diversity of the consumer market.

On the proposed **CO.6 (Products traded)** indicator, one respondent commented that compared to the other criteria the number of products available to trade seems less significant and the gathering of comparable data sets regarding bilateral (non-clearing-house) trading would be difficult.

On the proposed **CO.7 (Traded volumes)** indicator, one respondent commented that used in conjunction with the other indicators the traded volumes should provide a good indicator for market competition.

On the proposed **CO.8 (Depth of market)** indicator, one respondent reminded about the difficulty to obtain data; therefore, when resorting to indices gathered by third-parties (e.g. ICIS Heren), a bias-free interpretation seems questionable.

Discounting the respondent with the general comment on market definition, two respondents commented on the proposed **CO.9 (Churn rate)** indicator. One respondent commented on the definitions, other respondent mentioned that it reveals market liquidity but does not necessarily mean that there are many participants (and many participant types).

The proposed **CO.10 (simulation models)** indicator was criticized by four respondents. The first respondent questioned the simulation model being an indicator, the second proposed not to use it alone. The third respondent commented that gas simulation models are highly dependent on the assumptions made and are already challenging when simulating within an environment under set assumptions – using them to compare highly diverse markets leaves too much room for interpretation errors. The fourth respondent noted that a consistent simulation model would take time to develop and would be costly.

3.7 Indicators for Market Functioning

Of the 11 responses 5 responses reflected on the market functioning indicators.

One respondent commented on the proposed **MF.1 (Transaction costs)** indicator. This respondent suggested evaluating this indicator by a qualified analyst using an objective and highly comparable scoring system.

One respondent commented on the proposed **MF.2 (Value of congestion at each IP)** indicator, noting that the simple ranking of congestion value cannot provide a meaningful ranking and would lead to sub-optimal spending.

Two respondents commented on the proposed **MF.3 (Potential net welfare gains from unused physical capacity)** indicator. One respondent commented that the definition of “welfare” is not clear in the CEPA study and could lead to a wide range of interpretations. In addition, the calculations do not specify the link between unused capacities and price differential on the one hand and welfare gains/losses on the other hand. The second respondent did not argue its case. Both respondents would not recommend this indicator.

Two respondents commented on the proposed **MF.4 (Potential welfare loss from apparently inefficient flows at each IP)** indicator. One respondent argued that the definition of “welfare” is not clear. Another respondent stressed the potential welfare loss from inefficient flows at IPs may not be apparent. Therefore both of them would not recommend this indicator.

One respondent proposed to introduce a **new alternative indicator** - a comparison of end-consumer price index vs. wholesale market index. This indicator could provide a measure of the competitiveness of a market. The more competitive the market the more dependency

between the price indices, meaning falling wholesale market prices would lead to lower end-consumer prices.

3.8 Indicators for Market Integration

Of the 11 responses received, 6 commented the indicators for market integration.

One respondent supported all three MI.1, MI.2 and MI.3 (**MI.1 - Price convergence, MI.2 - Price correlation and MI.3 - Price volatility correlation**) indicators, mentioning however a sufficiently long timeframe should be considered, as well as the fact that price convergence at a certain point in time does not necessarily mean that markets are getting integrated.

Two respondents commented on the proposed **MI.4 (Contract prices vs. gas spot prices) indicator**. One of them mentioned that the percentage of gas consumed under long-term contracts is less relevant as the contracts are increasingly hub indexed. The second respondent noted that probably not all information needed for those indicators will be available, as there should be a balance between the transparency requirements and the commercially sensitive information regarding the contractual aspects of gas sourcing.

Another respondent commented on the both proposed **MI.4 (Contract prices vs. gas spot prices)** and **MI. 5 (Oil-indexed vs. gas-on-gas pricing)** indicators. This respondent expressed that probably not all information needed for those indicators would be available, as there should be a balance between the transparency requirements and the commercially sensitive information regarding the contractual aspects of gas sourcing.

Only two respondents commented on the proposed **MI.6 (Number of supply sources)** indicator. One respondent mentioned that when defining supply sources, transit routes and volumes should be taken into account, e.g. transit volumes through a market should not be counted as a source, as these volumes would count as a source for the target market. The second respondent explained that this indicator MI.6 did not take into account the market share of each source and therefore its robustness is questionable, so this aspect should be added.

3.9 Data sources proposed by the study

Of the 11 responses received, 7 commented on the data sources. Of those 4 who commented the general approval of data sources was expressed. One respondent explicitly approved the data sources proposed.

One respondent mentioned that regarding CMP.2 indicator (**Utilisation of contracted capacity at IPs per shipper**) the individual use of contracted capacity per user can only be captured with data publication obligations under REMIT⁸, which are confidential. The same respondent warned that for incremental it is too early to set indicators but approved the data collection source (directly from TSOs and NRAs).

Concerning the indicators TAR.1, TAR.2, TAR.3, the same respondent warned that the main data source of these proposed indicators on NC TAR is a survey. Therefore stakeholders

⁸ Regulation (EU) No 1227/2011 of the EP and of the Council on Wholesale energy market integrity and transparency, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32011R1227&from=EN>

would already have the opportunity to comment on these aspects during the consultations held by NRAs.

Another respondent considered that data for NC BAL should be collected directly from TSOs to ensure completeness of the data for the declared purpose and inclusion of TSO trades that do not serve a balancing purpose.

One respondent suggested that most data should be captured via the ENTSOG Transparency platform, REMIT platforms and via NRAs and that the necessary information should be available.

3.10 Planning proposed by the study

Of the 11 responses received, 5 respondents commented whether the proposed implementation timelines of the methodology are feasible. Most of the respondents suggested taking into account the implementation timeline of the relevant network codes.

One respondent commented that it lacks a reviewing process because the relevance of indicators would change over time depending on market developments and emergence of new issues.

Another respondent commented that a proper evaluation would only be possible if network users were given the possibility to terminate transportation contracts before NC CAM comes into force.

One respondent suggested to wait until the BAL NC is completely implemented, in order to ensure the effectiveness of the results of these indicators.

One respondent commented that the implementation timelines are ambitious.

One respondent indicated that the indicator MF.1 (Transaction cost) did not cover sufficiently the cost of implementing the NCs/GL and the cost already incurred in being able to comply (early implementation of CAM and BAL for example).

4 Agency's views

4.1 Agency's comments on the NC indicators

The Agency agrees that some indicators for NCs are not final yet as these NCs or amendments may still change. However that should not stop from developing the indicators to the best of current knowledge as part of the overall implementation monitoring exercise. The Agency has ample time and possibility to change some of the indicators linked to such codes, in case these codes change significantly in the final decision making process.

Regarding CMP indicators, it was proposed that some form of indicator explicitly measuring congestion should be used, as CMP is relevant only in the presence of congestion. However, the Agency already monitors contractual congestion, and these indicators should be monitored in conjunction with those findings.

It was proposed that the enhanced indicator of secondary capacity trading proposed for CAM should also be used for CMP as a more robust secondary market would reduce congestion. The Agency disagrees with is because it is not sure that this would be a direct effect of CMP GL.

Regarding CAM indicators, CAM.1 was considered quite problematic, with reference to Article 6 of NC CAM, which specifies that the desired effect is the 'maximization of the offer of bundled capacity through the optimization of the technical capacity'. The Agency would propose to refine the indicator to "Change in..." instead of "Increase in..."⁹ This indicator could thus reflect both maximisation AND optimisation of IP technical cap. The latter could in some instances indeed lead to a lowering of capacity, due to a "shift" of capacity to another IP (where there may be more demand for it).

It was considered that proposed indicators CAM.5 and CAM.6 were more related to CMP and already covered by the proposed CMP indicators. In the Agency's view CMP.3, CAM.5 and CAM.6 are closely related and there would generally be strong correlations between them. CMP.3 measures potential capacity hoarding so is more closely related to CMP (and is particularly useful where contractual congestion has been identified). Therefore, CAM.5 and CAM.6 can be applied more generally to any IP.

Regarding incremental capacity indicators, it was noted that monitoring the range of f factors as proposed in INC.3 would be descriptive rather than indicative measurement of efficiency. The Agency agrees that INC.2 and INC.3 don't mean very much alone, but together, and in the context of capacity demand, could have value.

Regarding BAL indicators, the Agency may review whether an indicator of the physically settled balancing services and a threshold 1pm D-1 would lead to the right results. NC gives absolutely priority to trades of title products (among the short term standardised products (STSP)) at the trading platform/balancing platform. Having the TSO as counterparty is enough to establish that such products are procured by the TSO for balancing reasons, so no need to indicate whether they are physical or **title products** or whether the transaction is

⁹ In the final report, CEPA reviewed the CAM.1 indicator accordingly, see Annex I, Table 1

concluded after 1 p.m. on D-1. As currently stated at the CEPA study¹⁰, regarding BAL.1 indicator (**Share of TSO balancing through short-term standardised products vs. balancing services contracts**) the BAL NC states that TSOs should prioritise the use of trading platforms (**and particularly title products**) for balancing purposes. The proposed indicator may reveal that a relatively small portion of balancing is conducted through trading platforms. Such indicator values may need to be interpreted with caution and potentially reviewed over time. They may, for example, reflect the TSO's inability, rather than unwillingness to balance through the market.

As mentioned before, regarding BAL.3, it was suggested to remove, improve or replace it. The Agency's views are that before removing this indicator it would be nice to have a better understanding of 1) a proper definition of physical line pack 2) the factors that influence the line pack and that are outside of the network user's responsibility. When implementing, the Agency will examine the indicator in more detail.

Regarding TAR indicators, it was considered that it was either too soon to develop NC TAR indicators, until the NC TAR had been finalised. In the Agency's view, it should be made clear for tariffs and incremental that a final decision on the selected indicators would be taken following the finalisation of both. A new indicator has been included in the initial set at the request of stakeholders for change in tariff levels at IPs (TAR.7)¹¹ (measuring tariff volatility). However, this does not mean the planning process cannot start now.

Regarding data sources, the Agency stresses that regarding the use of REMIT data the full acknowledgement is needed that confidentiality of data has to be assured. The Agency also notes that for building indicators, data aggregations would work perfectly.

4.2 The Agency's comments on the High level indicators

Regarding effective competition indicators, especially CO.3 it was noted that measuring of mark-up over marginal costs for each supplier/producer seems to be quite complex and sometimes even impossible to collect since this information is commercially sensitive and not available to the market. The Agency's view is that obtaining marginal cost data might be difficult and commercially sensitive. This indicator is kept for the time being and will be tested whether or not it could be calculated based on "sanitised" REMIT data.

Regarding CO.5, it was suggested that this indicator does not take into account the market share of every participant and should thus be assessed in combination with CO.1. The Agency agrees that as a standalone indicator may give a partial view only. Obviously these indicators will be calculated in blocks to eliminate these concerns.

¹⁰ CEPA study on Implementation monitoring and evaluation of the impact of the gas network codes and guidelines on the internal market, p.107, Table A.2.4.
http://www.acer.europa.eu/Official_documents/Public_consultations/PC_2015_G_04/CEPA%20Proposed%20Methodology%20for%20Monitoring%20and%20Evaluation%20of%20Impacts%20of%20Gas%20NCs.pdf

¹¹ CEPA study on Implementation monitoring and evaluation of the impact of the gas network codes and guidelines on the internal market, p. 56, Table 7.1, Recommended indicators to measure the desired effects of network codes and guidelines
http://www.acer.europa.eu/Official_documents/Public_consultations/PC_2015_G_04/CEPA%20Proposed%20Methodology%20for%20Monitoring%20and%20Evaluation%20of%20Impacts%20of%20Gas%20NCs.pdf

Regarding CO.10, it was noted that the simulation model seems complex and difficult to implement. The Agency's focus will be on monitoring actual data and calculating the respective ratios. The Agency would consider the simulation model option, as a long term possibility; given that simulation models involve subtle scenario building, which takes time to build. This option would only be feasible if models are built for both electricity and gas and only at that stage this indicator could prove to be useful.

Regarding **market functioning indicators, market integration and non-discrimination indicators**, it was proposed that MF.3 and MF.4 should be removed. In the Agency's view, these indicators are valuable in them and also build on welfare analysis already undertaken in the context of the yearly Market Monitoring Report and/or since no relevant suggestion was provided for their improvement they will be kept.

Regarding a new indicator – **end-consumer price index vs. wholesale market index** - the Agency does not believe this new indicator should be added. Firstly, it would measure a mark-up that is captured by CO.3. Secondly, this measures competitiveness of the retail rather than wholesale market and the Agency already performs a similar analysis for the Market Monitoring report¹².

¹² http://www.acer.europa.eu/Gas/Market_monitoring/Pages/Reports.aspx

Annex I

Summary of the changes made to the CEPA study

Table 1. Changes in CEPA report after the consultation - Proposed indicators to measure the desired effects of network codes and guidelines

Network code effects indicators	Changes to the CEPA report
CMP	In general, CMP indicators were kept and certain improvements were made to them. The interpretation and thresholds for the indicators will be reviewed by the Agency as necessary.
CMP.1 Additional capacity volumes made available through each CMP	The consultant proposed reviewing interpretation and thresholds.
CMP.2 Utilisation of contracted capacity at IPs per shipper	The consultant extended the interpretation of the indicator and reviewed calculation principles.
CMP.3 Aggregate utilisation of contracted capacity at IPs (flows/booked capacity)	The consultant reviewed the interpretation, suggesting how to identify which shippers cause the underutilisation.
CAM	In general, CAM indicators were kept. It was clarified why certain CAM indicators are not meant to measure the desired effects for CMP GLs.
CAM.1 Year-on-year change in average-day and peak-period technical capacity at IPs	The consultant renamed and improved the interpretation of the indicator.
CAM.3 Share of total capacity sold as bundled on capacity booking platforms	The consultant reviewed the interpretation of the indicator, saying it could be used as an indirect measure.
CAM.4 Secondary market-traded bundled capacity and unbundled capacity CAM.5 Contractual capacity utilisation at IPs (booked/technical capacity) CAM.6 Physical capacity utilisation at IPs (flows/technical capacity)	The indicators CAM.4, CAM.5, CAM.6 were reviewed and analysed whether these indicators could be used in combination with the CMP ones.
INC	
INC.1 Incremental and new capacity offered through alternative mechanism/ auctions	The consultant renamed and reviewed the interpretation of the indicator, as it does not try to provide a best or preferred outcome regarding the allocation of incremental/new capacity.
INC.2 Proportion of proposed incremental/new capacity projects that pass/fail the economic test	This indicator shall be interpreted in combination with a qualitative assessment of the economic environment of the projects.
INC.3 Range of f-factor values used in	The consultant agrees that the indicator should be interpreted with

the calculation of the economic test	care.
BAL	The consultant improved the calculations and descriptive of the indicators.
BAL.1 TSO balancing through short-term standardised products vs. balancing services contracts	The consultant reviewed the calculation principles for all the four balancing indicators (BAL.1, BAL.2, BAL 3 and BAL.4). The consultant included data sourcing from TSOs directly. When implementing, the Agency will test these indicators with the data that was made available.
BAL.2 TSO share of total balancing	
BAL.3 Physical line pack day-on-day changes	
BAL.4 Balancing net neutrality analysis	
TAR	A new tariff indicator TAR.7 was included as an outcome to the comments. The Agency will consider necessary adjustments to the extent needed (Phase IV).
TAR.1- Stakeholder assessment of robustness of decision making and overall process associated with establishment of tariff methodology	The consultant mainly reviewed the interpretation and thresholds. The consultant included that the results of national consultations on the approval of the tariff-setting methodology could be taken into account.
TAR.2 Assessment of availability of all models and data to enable replication of actual tariffs	The consultant mainly clarified the interpretation and thresholds for the indicator. The focus of the indicator is on replication of tariffs and whether all the necessary information was published in an accessible format (except where confidential data may need to be protected).
TAR.3 Stakeholder assessment of information availability to enable tariff predictions	The description was improved by the consultant.
TAR.4 Pass/fail compliance with cost allocation test	The formula was reviewed by the consultant.
TAR.5 Revenue Reconciliation parameters and outcomes	The consultant foresaw that TAR.5, TAR.6 and TAR.7 would be interpreted in conjunction.
TAR.6 Multipliers applied by each TSO	
TAR.7 Change in tariff levels at IPs	A new indicator was introduced by the consultant.

Table 2. Changes in CEPA report after the public consultation - Proposed indicators to measure the achievement of the high-level policy goals

High level indicators	Changes to the CEPA report
Indicators on effective competition	
CO.2 RSI, CO.4 Gas demand, CO.9 Churn rates	The consultant improved the calculation principles.
CO.3 Price-cost margin (PCM) Evaluation	The consultant acknowledged the difficulties concerning data needs.
CO.5 Participants Interpretation and thresholds	The consultant clarified that the indicator only considered the number of market participants.
CO.9 Churn rates	The Agency does not intend to use the churn rate, as indicator.
C.10 Simulation models	The consultant explained the modelling better.
Indicators on market functioning	
MF.1 Transaction costs	As regards calculation principles, the costs were classified. The terminology could be reviewed by the Agency.
MF.2 Value of congestion at each IP	Small improvements were done to the interpretation by the consultant.
MF3. Potential net welfare gains from unused physical capacity MF.4 Potential welfare loss from apparently inefficient flows at each IP	Small improvements were done to the description by the consultant. Welfare indicators were kept by the Agency.
Indicators on market integration	
MI.1 Price convergence MI.2 Price correlation MI.3 Price volatility correlation	Timelines were clarified by the consultant.
MI.4 Contract prices vs. gas spot prices MI.5 Oil-indexed vs. gas-on-gas pricing	It was acknowledged by the consultant that If contracts become hub-indexed over time, these indicators would have less relevance and should be re-evaluated at that point in time.
Indicators on non-discrimination	
ND.1 Quality of published data ND.2 Barriers to entry	The calculation principles were also reviewed and improved by the consultant.

Annex II

Table 3. List of respondents

Name	Type of organisation	Segment	Country of Origin
ENGIE (former GDF SUEZ)	Company	TSO, Shipper, Producer, DSO, LNG, UGS	France
Energy Regulatory Office	NRA	Other	Poland
EconGas GmbH	Company	Shipper	Austria
PGNiG - Polish Oil and Gas Company	Company	Shipper, Producer	Poland
International Association of Oil and Gas Producers (IOGP)	Association	Producers, Other	Belgium (International)
Enagas	Company	TSO, Storage, LNG	Spain
Eustream, a.s.	Company	TSO	Slovakia
GasTerra B.V.	Company	Shipper, Trader	Netherlands
Eurogas	Association	Other	Belgium (EU)
ENTSOG	Association	TSO	Belgium (EU)
EDF GROUP	Company	Shipper	France



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