



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

Fields marked with * are mandatory.

Introduction

From 12 June 2015 to 10 July 2015 the Agency for the Cooperation of Energy Regulators ('ACER', 'the Agency') is running a public consultation on the future methodology for implementation monitoring and evaluation of the impact of the gas network codes and guidelines on the internal gas market.

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 the 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.

Based on Article 10 of Regulation (EC) No 713/2009 the Agency presents for public consultation the consultancy study from Cambridge Economic Policy Associates (CEPA), commissioned by the Agency, which proposes a methodology to be used for implementation monitoring and evaluation of the impact of the gas network codes and guidelines on the internal gas market.

In order to test and improve the outcome of the study the Agency invites stakeholders to share their views on this work, in particular on the proposed indicators. Well founded comments which will lead to improvements of the report outcome in particular the proposed indicators will be taken into account by CEPA in its final compilation of the study.

The Agency invites stakeholders to reply to the following questions.

Contact details

*1 Family name, first name

*2 Email

3 Name of organisation

*4 Area of activity

- Shipper or energy trading entity
- Interconnector
- Storage
- LNG
- Distribution
- Producer
- End-user
- Transmission system
- Other

*5 Please specify

Consultancy Study

6 Do you consider the methodology well founded? If not, what should be improved? (Chapters 1-4)

7 Do you consider the **network code indicators** fit for purpose? (Please describe for which set of indicators you provide comments.) (Chapters 5,7)

- The proposed sets of indicators are **complete**
- The proposed sets of indicators are **incomplete** (please suggest indicators to be added)
- The proposed sets of indicators are **overcomplete** (please suggest indicators to be removed)

11 Do you consider the **high-level policy goal indicators** fit for purpose? (Please describe for which set of indicators you provide comments.) (Chapters 6,7)

- The proposed sets of indicators are **complete**
- The proposed sets of indicators are **incomplete** (please suggest indicators to be added)
- The proposed sets of indicators are **overcomplete** (please suggest indicators to be removed)

15 Do you agree with the performance evaluation of the indicators? If not, please suggest an alternative evaluation. (Chapter7)

16 Do you consider the data sources proposed by the consultancy study adequate? If not, please suggest alternative data sources. (Chapter7)

17 Do you find the proposed implementation timelines of the methodology feasible? If not, please suggest how it can be improved. (Chapter 8)

18 Do you consider the description of the indicators in the Annex clear and the execution of the indicators easy to understand? If not, please suggest how it can be improved. (Annex A)

19 Overall, do you consider that the methodology would be suitable to meet the objectives of Article 9 of Regulation (EC) No 715/2009?

20 Are there any other views you would like to share with ACER in this context?

IOGP welcomes the opportunity to comment on the CEPA report "Implementation monitoring and evaluation of the impact of the gas Network Codes and Guidelines on the internal market".

We are pleased that ACER takes the monitoring task for network codes and guidelines seriously, although we believe a more proactive implementation monitoring during the development of national implementation plans could have prevented some of the implementation issues with the CAM network code and the CMP guidelines.

Overall we believe that CEPA has done a thorough job in trying to identify and assess indicators for monitoring the impact of the gas network codes and guidelines. The detailed specification in Annex A of the report provides a concise and valuable overview of the considerations for each of the proposed indicators. Given the short time period of the public consultation we limit our response to the following general comments:

- The CEPA report recommends adoption of 44 indicators. We do not have a position on whether this is the right number of indicators, but we question the justification for the Price-cost margin (CO.3) and the Simulation models (CO.10). These 2 proposed indicators are expected to require considerable costs (CO.3: moderate; CO.10: high), considerable time/effort (both: high) as well as external expertise. We believe ACER should not be spending its scarce resources on including these 2 indicators in the implementation monitoring effort. On the other side, we noted that CEPA has rejected a tariff level change indicator, which we believe could be useful to monitor tariff stability and potential cross-subsidies per entry/exit point.

- There seems to be overlap with the monitoring tasks under REMIT and also many of the proposed indicators rely on REMIT reporting information. In case there are any cost or resource constraints, we suggest to start with the network code/guideline indicators that use existing information from ENTSOG and TSO(s). Once the REMIT reporting information becomes available, the remaining indicators could be added in combination with the annual REMIT monitoring.

- IOGP support the use of quantitative indicators (38 of the proposed indicators) in addition to subjective information from surveys (6 indicators). Although quantitative indicators suggest a level of objectivity, the effort of interpretation of the results of the monitoring indicators should not be underestimated. Lack of standardization of data and differences in definitions (e.g. of technical capacity) can hinder the analysis. This requires careful consideration before meaningful conclusions can be drawn from the results.

- Many of the indicators can only be derived on a national or system level and are therefore not well suited for monitoring the cross-border benefit of network codes/guidelines. Perfect implementation of the rules on both sides of an IP does not guarantee the best conditions for improving cross-border trade, promoting effective competition and improving market integration. In general, cross-border indicators (e.g. MF.1-4 and MI.1-3) are better instruments to measure

whether the market improvement objectives have been delivered.

- Market monitoring indicators such as HHI and RSI rely on the definition of the relevant market. When applied on a national basis, the HHI value might indicate a high level of market concentration which could be hard to resolve on a national scale. However, the aim of the network codes/guidelines is to contribute to the development of the EU-wide internal market in natural gas in order to establish effective competition, reduce market concentration and mitigate potential market power concerns. ACER's monitoring effort should help to identify to what extent the relevant market has grown.

- Finally IOGP recommends that ACER consults with stakeholders on the monitoring results, preferably through interactive workshops, to test the monitoring results and any recommendations derived from the monitoring report.

IOGP would welcome the opportunity to have further dialogue with ACER and provide more detailed feedback on monitoring the implementation and impact of the gas network codes and guidelines.

Background Documents

CEPA study (/eusurvey/files/4f0fdd27-3241-4363-bbe3-31a256747f1e)

Contact

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