



SOUTH GAS REGIONAL INITIATIVE WORK PLAN 2015-2016

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1 Introduction

1.1 Rationale and objectives

The South Gas Regional Initiative (SGRI) - created in 2006 - is composed of the gas markets of France, Spain and Portugal. The region has an annual gas consumption of around 90 bcm/year, covering 16.5% of the EU's gas market. The South Region hosts important LNG entry points to the European gas market and contributes largely to the diversification of energy sources of the European Union.

From March 2011, ACER -coordinating the Regional Initiatives- proposed a new vision based on four principles: (1) a project-oriented approach and a common project for the completion of the Internal Energy Market in 2014; (2) a pan-European dimension to ensure the involvement of all Members States; (3) a strong stakeholders' involvement to maintain the confidence throughout the implementation phase; (4) a governance structure which improves the decision-making process.

The three countries have focused their efforts on the definition of common policies, to the development of specific proposals and the joint application of the mechanisms to put them into practice. All this work has been done in close cooperation with stakeholders, transmission system operators (TSOs) and Ministries.

The SGRI has achieved a number of key objectives in areas such as capacity allocation, investment in new infrastructure, interoperability and regulatory and legal convergence.

Some examples of the main practical achievements reached so far are the following:

- The **interconnection capacity between France and Spain has increased** after two coordinated Open Season procedures to foster new investments. By 2015, the interconnection capacity between France and Spain will be 7.5 bcm in the flow sense from Spain to France, and 5.5 bcm from France to Spain.
- The coordinated capacity has already been offered in the interconnection **between Spain and France** through Open Subscription Procedures, as linked capacity among different balancing zones. A coordinated capacity allocation was held also in the interconnection **between Spain and Portugal** through an auction.
- SGRI has made progress since 2011, to early implement the CAM NC (published in October 2013 and applicable as of 1 November 2015). The **first coordinated auction to allocate capacity products at the interconnection points in the South Region** took place in March 2014; when firm bundled and unbundled yearly products were auctioned at the two virtual interconnections points (FR-ES and PT-ES borders) via PRISMA platform. In June 2014 quarterly products were allocated following the same pattern. Consequently, monthly products are foreseen to be auctioned in September 2014.
- The **implementation of the transparency requirements** pursuant to Regulation 715/2009/EC by all gas infrastructures operators has been **monitored** by Regulators with the participation of stakeholders.

- In order to prevent and solve contractual congestion at the interconnections, all members of the SGRI have worked coordinately **to apply harmonized CMPs at the borders** as well as to early implement the provisions of the EC guidelines on CMP.
- A study analyzing tariffs on both sides of the Spanish-Portuguese border was realized, in order to promote **tariff harmonization**. A national entry-exit system following European guidelines will be developed and a common task for launching tariff harmonization proposals shall be initiated after these national regulatory processes, during 2013. The Spanish regulator has recently submitted to public consultation the methodology proposal on tariffs for access to the gas infrastructures.

Regional work and cooperation among the three countries is a key factor in the early implementation of the rules to complete the internal gas market and to meet the goals established at European level.

The South Gas Regional Initiative Work Plan 2015-2016 is drawn up as a continuation to the previous one, underlining the important goals achieved in the past and improving those actions that need more effort by all participants in the Initiative.

The aim is to put in shape the main areas of work foreseen for the region, the specific tasks to be developed, with indication of the responsible parties, and the deadlines for the planned outcome in the coming two years.

1.2 Background

The South Gas Regional Initiative developed, following a mandate of the European Commission, the Work Plan 2011-2014 in order to facilitate the compliance with the provisions of the EU 3rd Package and to promote the early implementation of Network Codes as well as the markets integration towards the completion of the IEM in 2014.

The Work Plan was reviewed and updated under the guidance of the Agency. The last version of the Work Plan 2011-2014 was adopted in March 2013.

The infrastructure operators and the regulators in the South Region are working in a number of areas following the Work Plan in place, which takes into account the developments in the European gas context – Framework Guidelines and Network Codes developments – and the discussions being held on the Gas Target Model for Europe.

The five main work areas established in the current Work Plan -capacity allocation mechanisms, congestion management procedures, infrastructures, interoperability and hub development - continue to be part of the Work Plan of 2015-2016.

Under each one of these areas specific actions are outlined to apply, at regional and national level, the guidelines set out at European level. The responsible entities who have to develop these actions are mainly the infrastructure operators –TSOs, LSOs and SSOs – with the participation and cooperation of the rest of stakeholders. The involvement of Member States in this process is considered of paramount importance.

Finally, each planned action will materialise, in practice, in concrete tasks with a timetable and a deadline. The deadlines have been established taking into account the most updated information on the timetable for the elaboration of Framework Guidelines by ACER and Network Codes by ENTSO-G, and their approval through “*comitology*” to become part of the EU regulation. In addition, the ongoing processes of adopting the regulators objectives for the European gas sector over the Bridge to 2025 and the reviewed GTM are considered.

By the time of adopting this Work Plan (WP), the first Network Codes have been already published. The early implementation of these codes has already started through a number of pilot projects in different areas in the South Region, but it still remains a voluntary exercise until their implementation will become fully binding. Once the codes become binding (e.g. CAM NC will be applicable as of 1 November 2015, Balancing NC as of 1 October 2015), the work on those areas will progressively shift to be coordinated and monitored under dedicated processes.

The period of the new WP covers the upcoming two years, which allows developing actions to reach the established goals in a suitable and stable time horizon. With the purpose of adapting the contents to the significant changes and developments that affect at regional level, the Work Plan 2015-2016 will be updated accordingly.

2 Priorities for 2015-2016

The main areas of work defined by the South GRI for the period 2015-2016 are the ones described hereafter in the following subsections. The timetable of specific actions in each area for the upcoming two years is shown in the Annex.

2.1 Capacity allocation mechanisms (CAM)

Since 2012, the SGRI has made progress in the legislative and operational changes in each country in the perspective of an early implementation of capacity auctions under the terms defined in the CAM network code. In June 2013, Regulators approved a Roadmap for the South Region, which had previously been submitted to public consultation, in order to early implement the rules defined in the draft network code at that time.

Furthermore, the South Region participates in the ACER cross-regional Roadmap for the early implementation of the Capacity Allocation Mechanisms Network Code (in cooperation with ENTSOG). Members of the Initiative are part of the Core Group - comprised of TSOs implementing the pilot project and responsible NRAs– the CAM Coordination Group and the EU Stakeholders group. The Roadmap is continuously reviewed and updated coordinated by ACER and ENTSOG.

The Regulation 984/2013 establishing a Network Code on CAM was published on 15 October 2013 and it shall apply from 1 November 2015.

The first coordinated mechanism to allocate capacity products according to the CAM NC at all IPs between entry-exit systems in the South Region took place in March 2014. This pilot project follows the calendar and procedure of the NC, when firm bundled and unbundled yearly products were auctioned at the two virtual interconnections points (FR-ES and PT-ES borders) via PRISMA platform. In June 2014 quarterly products were auctioned at PRISMA on both borders. Monthly products start being auctioned in September 2014.

TSOs in the region have already made public the auction calendar for the period from March 2014 to September 2015 to allocate capacity products at the two existing VIPs, in line with the CAM NC.

In relation to French balancing zones, a single PEG GRTgaz Sud - TIGF will be in place in April 2015. In 2018, a single PEG France will be implemented.

The final goal on CAM for 2016 shall be have in place joint coordinated CAMs for the allocation of cross-border capacity at the interconnections between the balancing zones in the region. For reaching this goal, the work to be done related to capacity allocation processes foreseen for 2015-2016 will consist of:

- I. 1. Continue working on early implementation of CAM NC, allocating yearly, quarterly, monthly, daily and within-day capacity products at the two VIPs. Preparing the first daily capacity auction in the region to be held in November 2015. The PRISMA platform could be used in all region depending on the cost level allocation to the TSO's.
- I. 2. Participating in the ACER Roadmap for the early implementation of the CAM NC. The Roadmap is continuously reviewed and updated, coordinated by ACER and ENTSOG.

2.1.1 Incremental and new capacity

The CAM NC focuses on the allocation of existing capacity at interconnection points in gas transmission systems. However, processes for the market-based identification and allocation of incremental capacity at existing IPs and at possible new IPs or at IPs concerned by projects of great size and complexity need to be developed.

The draft proposal of CAM NC amendments - elaborated by ENTSOG following the ACER guidance- in relation to new capacity and incremental capacity has been submitted to public consultation until 30 July 2014. The document has to be finalized before 31 December 2014. ACER is currently preparing their preliminary opinion, which will be submitted to public consultation once the ENTSOG proposal is finished. The ACER Reasoned Proposal of CAM NC amendments will be submitted to the European Commission to be adopted.

The final goal on new capacity and incremental capacity for 2016 depends on the regulatory development at European level in order to adopt the CAM NC amendments. The work is focused on approaching the early implementation of the rules on incremental and new capacity allocation in all the interconnections in the region, once adopted by the European Commission. For reaching this goal, the work to be done related to congestion management foreseen for 2015-2016 will consist of:

- I. 3. To apply jointly in the region the CAM NC on incremental and new capacity.

2.2 Congestion management procedures (CMP)

On 24 August 2012 the EC Decision amended the Annex I to Regulation 715/2009, which establishes that three CMPs - surrender capacity, oversubscription and buy-back (OSBB), and long term use or lose it (LT UIOLI) - must be implemented as of 1 October 2013. The short term use or lose it (ST UIOLI) mechanism must be implemented as of 1 July 2016.

Furthermore, on 11 July 2014 the EC published the Guidance on best practices for congestion management procedures in natural gas transmission networks providing a comprehensive overview of these new CMPs.

The South Region has focused its attention on the procedures to prevent and solve contractual congestion at the interconnections. The Work Plan envisages the application of coordinated and harmonized CMPs at the borders as well as to implement the provisions of the EC guidelines on CMP. In particular NRAs and TSOs work in cooperation to apply the best practices and endeavour to harmonise processes for the implementation of the rules.

The final goal on CMP for 2016 is the harmonization of CMPs in the whole region and the implementation of rules on CMP at all the interconnections in the region. The tasks foreseen for 2015-2016 will consist of:

- II. 1. Assessment of the operational mechanisms from 1 October 2013: UIOLI LT, capacity surrender and OSBB. Cooperation works to approve the proposals by the TSOs in the region about incentive-based oversubscription and buy-back schemes.
- II. 2. Designing a Roadmap on the implementation of firm day-ahead UIOLI to be implemented by July 2016 in the region.

2.3 Balancing

The Regulation 321/2014 of 26 March 2014 establishes a Network Code on Gas Balancing of transmission networks. The gas balancing rules set out include network related rules on nomination procedures, imbalance charges, settlement processes associated with the daily imbalance charge and operational balancing between transmission system operators' networks. The balancing code is applicable from 1 October 2015.

The final goal for the SGRI on balancing for 2016 would consist of the assessment of the measures and actions that needs harmonisation at the borders, as well as adapting the rules in the region to comply with the provisions of the Network Code. For reaching this goal, the work to be done on balancing foreseen for 2015-2016 will be:

- III.1 Exchange information on the implementation of the Balancing NC in the three countries. Exchange experiences and updating of the process of merging the French balancing zones between PEG GRTgaz Sud and TIGF – foreseen in April 2015. Analyse the current configuration of national balancing zones and the integration in the region to help developing hubs. Regulators work in cooperation to progress on the harmonisation of balancing regimes.

2.4 Interoperability and data exchange

The draft Interoperability Network Code is currently in comitology process to be adopted by the EC. The second comitology meeting is foreseen in November 2014. The crucial aim is to harmonise rules for the operation of transmission systems in order to encourage and facilitate efficient gas trading and transport across gas transmission systems within the EU.

The final goal for the SGRI on interoperability for 2016 depends on the regulatory development at European level in order to adopt the interoperability NC. The region plans to keep on working on the harmonisation of issues that have been already identified in the region, according to the draft Balancing NC and the CAM NC.

- IV. 1. Definition of specific actions and measures to be taken in coordination with NRAs, TSOs and stakeholders in the region, on the harmonisation of the gas day, nomination and renomination procedures, data exchange and combustion reference temperature as the priorities by 1st November 2015.

2.5 Infrastructures. Projects of Common Interest

The European Energy Regulators have already shown their support to the elaboration of the EU-wide 10-Year Network Development Plan (TYNDP) by ENTSOG, as a basic tool to promote security of gas supply in Europe. In addition, the Regulation 715/2009/EC states that TSOs shall also publish a regional investment plan every two years.

TSOs in the region have worked together within ENTSOG in order to elaborate the TYNDP 2013-2022 - published in February 2013.

The second edition of the Gas Regional Investment Plan in the South Region (GRIP South 2013-2022) was published in March 2014. It builds on the previous one in consistency with EU-wide and national TYNDP. The GRIP provides, at regional level, updated forecasts on demand and projects, additional analysis and simulations of the gas systems and of the gas infrastructures.

Regulation 347/2013 on Guidelines for trans-European Energy infrastructure lays down the priority corridors for the transport of electricity, gas and oil, aiming at ensuring that strategic energy networks, including gas infrastructures, are completed by 2020. The "projects of common interest" (PCI) are adopted by the EC and contribute to implement these priorities. All agents are involved in the PCI identification process: Member states, regulators, TSOs, ACER, ENTSOG and stakeholders. NRAs and TSOs participate closely in the regional working group (NSI West Gas) focused on the PCIs identification. The second Union list of gas PCIs is foreseen to be adopted by the EC in 2015. In addition, NRAs in the region work in cooperation in the decisions taken on the cross-border cost allocation (CBCA) requests by TSOs.

The final goal on investment in new infrastructure for 2016 in the SGRI would be setting up a permanent framework of cooperation between TSOs (including ENTSOG), and stakeholders, for the elaboration of the UE-wide ten year network development plan and update of the regional investment plans. Also, the participation of Member States is paramount in the identification of the projects of common interest and the CBCA requests in the region. For reaching this goal, the work to be done concerning investment, in the period 2015-2016, will consist of:

- V. 1. Input from the NRAs and TSOs in the region to ENTSOG for the preparation of the UE-wide investment plan. Next TYNDP is expected to be published in 2015. Elaboration of the third edition of GRIP South that will be published in 2016.
- V. 2. Participation in the regional working group focused on the PCIs identification process: second Union list of gas PCIs is foreseen to be adopted by the EC in 2015. Regional cooperation to take decision on CBCA requests by TSOs in the South Region.

2.6 Hub development and market integration

On 1 December 2011 CEER published a conclusions paper which sets out the vision for the European Gas Target Model (GTM). This paper proposes measures to achieve the goal of the Internal Energy Market by 2014 in line with the commitment of the European Council of 4 February 2011.

Currently, the Gas Target Model is being revised and the criteria are being redefined taking into account those set out in the original GTM. The aim is to have a shared and agreed set of metrics across the EU which, if met, would indicate a wholesale market is functioning.

The SGRI works in the promotion of an **organised gas market** to become well-functioning market. This will promote liquidity and competition in gas trading in the region.

The tasks are focused on the identification of issues that describe the current gas markets situation in the countries and analyse the different options to deepen market integration consistently with the general EU orientations.

Since the spring of 2014, the Spanish Ministry - supported by the Portuguese government, leads a working group for the development of the gas hub in Spain and the creation of Iberian gas hub in the region (MIBGAS). According to the Ministry plans the hub is foreseen to be in operation in January 2015. Regulators, TSOs, exchanges and stakeholders are working together in order to advance the hub creation and the gas markets integration.

In June 2014, the Spanish and Portuguese regulator submitted to a Public Consultation a study about models for integration of SP and PT gas markets in a common Iberian Natural Gas Market – elaborated in the SGRI framework.

The final goal for the SGRI for 2016 would be contributing to the development of an Iberian gas hub in the region.

- VI. 1. Analysis of the feedback received by stakeholders in the public hearing to the study elaborated by Regulators for analyzing the models for the integration of the Spanish and Portuguese gas markets in a common Iberian Natural Gas Hub.
- VI. 2. Preliminary analysis, impact assessment and roadmap design for the integration of Spain and Portugal gas markets into an integrated gas market in the South Region.

Annex: Timetable of the SGRI Work Plan for 2015-2016

Areas of work	Responsible	Starting	Deadline
Capacity allocation mechanisms			
I. 1. Continue working on early implementation of CAM NC, allocating yearly, quarterly, monthly, daily and within-day capacity products at the two VIPs. Preparing the first daily capacity auction in the region to be held in November 2015	NRAs-TSOs-stk	Permanent – binding in November 2015	
I. 2. Participating in the ACER Roadmap for the early implementation of the CAM NC as part of the Core Group, CAM Coordination Group and EU Stakeholders group. Revisions and updates are coordinated by ACER/ENTSOG.	NRAs-TSOs	Permanent – binding in November 2015	
Incremental and new capacity			
I. 3. To apply jointly in the region the CAM NC on incremental and new capacity	NRAs-TSOs-stk	January 2015	Q4 2015
Congestion management procedures			
II. 1. Assessment of the operational mechanisms from 1 October 2013: UIOLI LT, capacity surrender and OSBB. Cooperation works to approve the proposals by the TSOs in the region about incentive-based oversubscription and buy-back schemes	NRAs-TSOs	Initiated	Q1 2015
II. 2. SGRI Roadmap for implementing firm day-ahead UIOLI by July 2016. CMP harmonisation in the whole region	NRAs-TSOs-stk	Q3 2015	Q2 2016
Balancing			
III. 1. Exchange information on the implementation of the Balancing NC in the three countries. Exchange experiences and updating of the process of merging the French balancing zones between PEG GRTgaz Sud and TIGF – foreseen in April 2015. Analyse the current configuration of national balancing zones and the integration in the region to help developing hubs. Regulators work in cooperation to progress on the harmonisation of balancing regimes.	NRAs-TSOs	Initiated	1 October 2016
Interoperability and data exchange			
V. 1. Definition of specific actions and measures to be taken in coordination with NRAs, TSOs and stakeholders in the Region, on the harmonisation of the gas day, nomination	NRAs-TSOs -stk	Initiated	1 November 2015

Areas of work	Responsible	Starting	Deadline
and renomination procedures, data exchange and combustion reference temperature as the priorities by 1 st November 2015.			
Infrastructures. Projects of Common Interest			
VI. 1. Input from the NRAs and TSOs in the region to ENTSOG for the preparation of the UE-wide investment plan. Next TYNDP is expected to be published in 2015. Elaboration of the third edition of GRIP South will be published in 2016	TSOs	Q1 2015	Q2 2016
VI. 2. Participation in the regional working group focused on the PCIs identification process: second Union list of gas PCIs is foreseen to be adopted by the EC in 2015. Regional cooperation to take decision on CBCA under requested by TSOs in the South Region.	NRAs-TSOs	Permanent	
Hub			
VII. 1. Analysis of the feedback received by stakeholders in the public hearing to the study elaborated by Regulators for analyzing the models for the integration of the Spanish and Portuguese gas markets in a common Iberian Natural Gas Hub.	NRAs-TSOs-stk	Initiated	Q1 2015
VII. 2. Preliminary analysis, impact assessment and roadmap design for the integration of Spain and Portugal gas markets into an integrated gas market in the South Region.	NRAs-TSOs-stk	Q4 2016	-