



EVALUATION OF RESPONSES
PUBLIC CONSULTATION ON
SOUTH GAS REGIONAL INITIATIVE
WORK PLAN 2015-2016

03 November 2014

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EXECUTIVE SUMMARY

Regulators in the region -CNMC, ERSE and CRE- appreciate the comments and feedback received to the public consultation on the 2015-2016 draft Work Plan (WP). A total of 11 respondents submitted their views: 3 TSOs, 5 shippers and 3 associations.

We received general remarks on the WP as well as remarks on priority areas. In general, respondents expressed strong support for the Plan in the region. There was also a broad consensus on the importance of the priority areas identified.

Regulators have reviewed its draft Work Plan taking into account the suggestions and proposals made by stakeholders.

The present evaluation of responses accompanies the final 2015-2016 SGRI Work Plan once approved by the regulators.

1 Introduction

The South Gas Regional Initiative Work Plan 2015-2016 is drawn up as a continuation to the previous one adopted in the region, i.e. WP 2011-2014. This plan underlines the important goals achieved in the past and improves those actions that need more effort by all participants in the Initiative.

The WP establishes six main areas and specific tasks and deadlines in the coming two years. The deadlines have been set up taking into account the updated information on the elaboration process of Framework Guidelines and Network Codes, and their approval through "comitology". In addition, the procedure of adopting the regulators objectives for the European gas sector over the Bridge to 2025 and the reviewed GTM have been considered.

The two years period 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.

The Work Plan drafted by regulators in the region has been submitted to public consultation on the ACER website¹ from 3 to 24 October 2014.

The regulators' evaluation of the comments received is detailed in the following sections.

2 General comments on the Draft SGRI WP 2015-2016

11 organisations have sent their feedback: 3 TSOs, 4 shippers and 4 associations.

¹ http://www.acer.europa.eu/Gas/Regional_%20Initiatives/South_GRI/Public_Consultations/Pages/PC-on-the-Work-Plan-2015-2016.aspx

All stakeholders welcome the work plan and emphasize the importance of harmonising and making compatible rules in the three countries to facilitate cross-border flows and gas markets regional integration towards the internal energy market.

They consider that the coordinated early implementation of network codes must be the permanent objective in the work plan in the South region. Adapting national rules to the new developments, in time, transparency, coordination and close collaboration with all stakeholders in the region, is a key question to fully implement the European codes.

An additional proposal has been received by a shipper encouraging the elaboration of common Guidelines in the SGRI. This document would include the basics principles of the European rules applied at regional level: analysis of operational issues for the implementation of the rules, e.g. level of capacity booked at the interconnection points, role of storage, market development. Also, this document could serve to give feedback to ACER in the context of monitoring the works in the SGRI.

Furthermore, stakeholders insist on more active participation of regulators and TSOs in the imperative creation of the Iberian gas market, as a first step to enable gas flows between the Iberian Peninsula and France. The goal is to facilitate the gas exchange and transmission within the South region and with the northern and central European hubs in both directions.

3 Comments on the priority areas

The six work areas established in the draft work plan -capacity allocation mechanisms, congestion management procedures, balancing, interoperability, infrastructures and hub development – are supported by stakeholders.

In addition, one association considers that further works should be done in the regulatory harmonisation between Spain and Portugal in order to ensure that **interconnection tariffs** are developed in a compatible way, head towards the creation of a single Iberian gas market.

The following sections include particular comments on each area and the proposals given by the stakeholders.

3.1 Capacity allocation mechanisms (CAM)

Three respondents' comments are related to the need of coordinated developments of the operational issues associated with allocation of capacity at the borders. For example, only one nomination/renomination, one contact point to avoid contacting two operators for the use of bundled capacity, and coherent clauses of the capacity booking contracts.

Two TSOs ask regulators to monitor the compliance with the capacity calculation and maximization provisions. According to article 6 of CAM NC TSOs shall establish and apply a joint method in order to maximize the offer of bundled capacity through the optimization of the technical capacity at the interconnection points, by February 2015.

Also, they ask for further harmonization within the SGRI so that network users can allocate bundled capacity in the secondary market, by November 2015.

One of these TSOs also ask for continuing working on (i) the harmonization of gas year in the region, in particular between Spain and Portugal, and (ii) licensing procedures to facilitate the book of bundled capacity.

One TSO pointed out that unbundled daily capacity products have been already auctioned in October 2014 in the Pyrenees VIP. So, the deadline established in the draft WP for daily auctions, November 2015, is referred to allocate bundled daily and within-day products. In addition they propose that NRAs approve the cost level of allocation of TSOs in relation to the capacity platform.

One shipper proposes to have day-ahead auctions before November 2015 and suggests further works on within day traders to develop a liquid market in Spain.

3.1.1 Incremental and new capacity

One TSO suggests that the deadline of the joint implementation of incremental and new capacity must be postponed until March 2016 (not Q4 2015 as established in the draft WP). They justify the proposal taking into account the ongoing process of amending CAM NC that foresees the first incremental auction in 2017.

3.2 Congestion management procedures (CMP)

Three TSOs and one shipper suggest that the implementation of ST UIOLI mechanism requires a detailed analysis to decide if all conditions for its implementation are fulfilled in the region. They point out that it is subject to ACER annual report on monitoring congestion at European interconnection points.

Moreover, they comment that OSBB procedure is still under discussion in a coordinated way at the borders, because the capacity products that will be firstly oversubscribed (daily products) will be auctioned as from 1 November 2015.

3.3 Balancing

One shipper and one TSO support the exchange and sharing information on the implementation of balancing national rules. However, they ask for more cooperation among the three countries to ensure that national balancing regimes are consistent with hub developments in the region.

3.4 Interoperability and data exchange

Six respondents (four shippers, one association and one TSO) propose that the harmonisation of the reference temperature needs to be further analysed. They support the provision established in article 14 of the draft Interoperability and Data Exchange Network code which specifies that alternative reference temperatures can be used if conversion factors are provided and used accordingly.

3.5 Infrastructures. Projects of Common Interest

Two shippers and two associations comment on the current limitations of gas flows within the region and between the region and the northern Europe. They consider that developing new infrastructure can facilitate gas flows.

One comment is related to the third interconnection point at the Spanish - Portuguese border, considered as dependent on the reinforcement of Pyrenees' connections.

The development of incremental transmission capacity between France and Spain has been remarked by one shipper.

In addition, monitoring the developments of PCIs in the region is proposed to be done in the SGRI, in close cooperation with Member States.

3.6 Hub development and market integration

Most respondents agree on the hub development in the region for the integration of the Spanish and Portuguese gas markets in a common Iberian Natural Gas Hub.

One shipper proposes the creation of an "ad-hoc" working group lead by regulators to make progress on the integration of Spanish and Portuguese gas markets.

In addition, one shipper and one association suggest the adoption of a common roadmap with clear commitments for Iberian hub development taking into consideration the comments received to the Public consultation of the "Study about models for integration of the Spanish and Portuguese gas markets in a common Iberian Natural Gas Market" (closed in September 2014). The deadline for the proposed task is Q1/Q2 2015.

Regarding the analysis of market models for the integration there are two opposite views. One shipper is in favor of implicit allocation of capacity as a first step, where not a high level of rules harmonization is required. On the other hand, one TSO suggests that the model must be consistent with the ongoing revised gas target model (GTM2), therefore, another short term solution can be studied, focusing on the satellite market model.

ANNEX I: List of Respondents

Organisation
AGN
EDP
EFET
ENAGAS
IBERDROLA
GAS NATURAL FENOSA
GDF SUEZ
GRT GAS
TIGF
UPRIGAZ
ANONYMOUS COMPANY