



**SOUTH GAS REGIONAL INITIATIVE
WORK PLAN 2017-2018**

UPDATE – 29 November 2016

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 70 bcm/year, covering 17 % of the EU's gas market. The South Region hosts important LNG entry points into 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, for 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 and congestion management, investment in new infrastructure, hub developments and market integration, interoperability, balancing, and regulatory and legal convergence.

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

- SGRI has made progress since 2011, to early implementation of 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. The same pattern was followed for subsequent auctions held in June 2014 to allocate quarterly products and, in September 2014, for monthly products. Finally, the implementation schedule of CAM NC was successfully completed on 1st November 2015, with the first auctions of daily and intraday products.
- 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**. The rules for the coordinated implementation of the three mechanisms (over-subscription and buy-back, capacity surrender and long-term use-it-or-lose-it) are already developed. Capacity surrender and long-term use-it-or-lose-it mechanisms are already in place and the NRAs and TSOs have agreed on the details of a coordinated mechanism for over-subscription and buy-back. However, the OSBB implementation has been delayed and it

is still pending.

- Regarding progress in **market integration**, after the entry into operation of the gas exchange MIBGAS in December 2015 for gas products delivered at the Spanish Virtual Trading Point, the Spanish and Portuguese NRAs and TSOs, together with MIBGAS, have been closely working together to allow the Portuguese users to trade gas on the MIBGAS in the near future. The market rules to allow the above-mentioned developments have been already accommodated and inter-governmental agreements are pending to allow an effective entry into force.
- The balancing NC was successfully implemented in France in October 2015 and in Spain and Portugal in October 2016, following the adoption of the respective national laws. NRAs have exchanged information on the implementation of the **Balancing NC** in the three countries and have analysed the configuration of the national balancing zones and their integration in the region to help developing hubs.
- In the context of the **Interoperability and Data Exchange**, TSOs of the SGRI have been coordinately working on the development of the Interconnection agreements (IAs) for VIP Pirineos and VIP Iberico. In September 2016, after the NRAs revised the compliance with the IO&DE NC, the TSOs sent to public consultation the non-confidential versions of the IAs. The public consultation closed on 15th November for VIP Pireneos and 26th November for VIP Iberico. The IAs' final versions will be finished shortly.

Regional work and cooperation among the three countries is a key factor in the 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 2017-2018 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 has developed successive Work Plans since 2011 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.

The Work Plan currently in force was reviewed and updated under the guidance of the Agency. The previous version of the Work Plan 2015-2016 was adopted in November 2014.

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 held on the Gas Target Model for Europe.

The main areas of work set out in the Action Plan 2014-2016 for the SGRI were: capacity allocation mechanisms and congestion management procedures, balancing, interoperability and data exchange, infrastructures (project of common interest) and hub development. These work areas will continue to be the core part of the Work Plan 2017-2018. In order to update the contents of the Action Plan and extend them until 2018, the work foreseen under these areas will be enlarged and extended. In addition, once some NCs have been already implemented, new focus on some areas of work is needed; in particular it is necessary to follow the implementation of the NCs at regional level. With this aim, it has been decided to work on the assessment of the use of the interconnection infrastructures and the functioning of the balancing regimes at regional level.

Each planned action will be materialised, in practice, in concrete tasks, with a timetable and a deadline. These 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.

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 2017-2018 will be updated accordingly where necessary.

2. Priorities and deliverables for 2017-2018

The main areas of work defined by the South GRI for the period 2017-2018 are the ones described hereafter in the following subsections.

2.1. Analysis of the use of regional infrastructures

This work stream aims to assess the use of interconnections in the region starting from the implementation of the CAM Network Code up to 30 September 2016. The study will address the current situation of gas interconnection in the region, its usage, the assessment of the capacity allocated, gas flows and the congestion status. The analysis will allow proposing recommendations on capacity allocation and congestion management. The expected completion of the deliverable is June 2017.

2.2. Assessment of the performance of the balancing regimes

After implementing the BAL NC in all the countries of the region, this second work stream aims to follow up on the balancing regimes at national level. The analysis will assess the unbalanced volumes, the costs, the number of TSOs' balancing actions, and other quantitative variables between 1 October 2016 and 30 September 2017. The analysis will provide new elements in order to evaluate how the different balancing regimes are performing. The deliverable is expected by December 2017.

2.3. Further steps in the market integration

The third target is twofold. Firstly, it consists of an assessment of the progress of the Spanish-Portuguese market integration towards the Iberian gas market. The analysis will tackle the accommodation of MIBGAS market rules, the revision of the CAM rules at the Iberian VIP so to allow a proper implementation of the implicit allocation mechanism, the elaboration of a proposal of communication procedures among MIBGAS and the TSOs, and the implementation of the market model.

At a second stage, the focus will shift towards a comparative analysis of the Iberian and French markets from a regulatory and quantitative perspective. The outcomes of this analysis will shed light on the possible way forward for the project, namely a possible extension to France.

The deadline for the first target depends on the development of the progress of the projects, addressed in paragraph 2.2.1. The second stage has three milestone deadlines: October 2017 (analysis of the rules in each market), March 2018 (assessment of market prices) and October 2018 (conclusions and recommendations).

2.4. Assessment of the infrastructure investment plans according to PCI regional

The Implementation Group will participate closely in the adoption of the PCIs list, as well as in the elaboration of the regional network plans, since the NRAs' involvement from the beginning of the process can secure higher coordination and benefits. In parallel, NRAs will assess the TYNDP proposal presented by the TSOs in accordance with the PCI regional development process. The deliverable's deadline will be set according to the PCI process.

2.5. Progress on CMP implementation: OSBB mechanism

After the approval of the OSBB scheme, the South GRI will follow up on the progress in the implementation of the OSBB mechanism expected by April 2017.

Annex: Timetable of the SGRI Work Plan for 2017-2018

Areas of work	Responsible	Starting	Deadline
I. Use of infrastructures in the Region			
I.1. Current situation of gas interconnection in the Region (capacity, capacity calculation and flows)	TSOs	Jan. 2017	Jun. 2017
I.2. Use of interconnections (booked capacities, capacity used, available capacities and secondary capacity trade)	TSOs	Jan. 2017	Jun. 2017
I.3. Assessment of the capacity allocated since the implementation of the CAM NC	NRAs-TSOs	Jan. 2017	Jun. 2017
I.4. Assessment of the gas flows and the congestion status	TSOs	Jan. 2017	Jun. 2017
I.5. Recommendations on capacity allocation and congestion management	NRAs-TSOs	Jan. 2017	Jun. 2017
I.6. Conclusions	NRAs-TSOs	Jan. 2017	Jun. 2017
II. Balancing regimes (Since implementation to 30th September 2017)			
II.1. Index and template of the report	NRAs	Jan. 2017	Before Oct. 2017
II.2. Description of the balancing schemes in place	NRAs	Oct. 2017	Dec. 2017
II.3. Follow-up of the functioning of the balancing schemes since its application	TSOs	Oct. 2017	Dec. 2017
II.4. Conclusions and recommendations	NRAs-TSOs	Oct. 2017	Dec. 2017
III. Market integration			
III.1 Iberia			
III.1.1 Accommodation of MIBGAS rules	NRAs	Initiated	Iberian gas deadlines
III.1.2. Revision of CAM rules at Iberian VIP to accommodate implicit allocation mechanism	NRAs-TSOs- Market Operators	Initiated	Iberian gas deadlines

Areas of work	Responsible	Starting	Deadline
III.1.3. Proposal of communication procedure among MIBGAS and TSOs	TSOs	Initiated	Iberian gas deadlines
III.1.4. Implementation of the model	NRAs	Iberian gas deadlines	
III.2 Iberia with France			
III.2.1. Analysis of market rules (exchange) of each market	NRAs/Market Operators	Jan. 2017	Oct. 2017
III.2.2. Assessment of market price behaviour	NRAs	Oct. 2017	March 2018
III.2.3. Recommendations and conclusions	NRAs	March 2018	Oct.2018
IV. Infrastructures development			
IV.1. TYNDP proposal	TSOs	Initiated	Dec.2018
IV.2. NRAs assessment according to PCIs regional development process	NRAs-TSOs	Dec.2018	According PCI deadlines
V. Other issues			
V.1. Implementation of OSBB mechanism	TSOs	Initiated	tbd
V.2. Implementation of IO NC provisions (IAs publication)	TSOs	Initiated	February 2017