ACER
Agency for the Cooperation of Energy Regulators

A new role for the Agency

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4th Vienna Forum on EU Energy Law
Wien, April 15 2016

Overview

- **Current role of the Agency**
- Future role of the Agency

ACER's role – A widening mission

Directives 2009/72/EC , 2009/73/EC Regulations (EC) No 713/2009, 714/2009 and 715/2009

Third Energy package

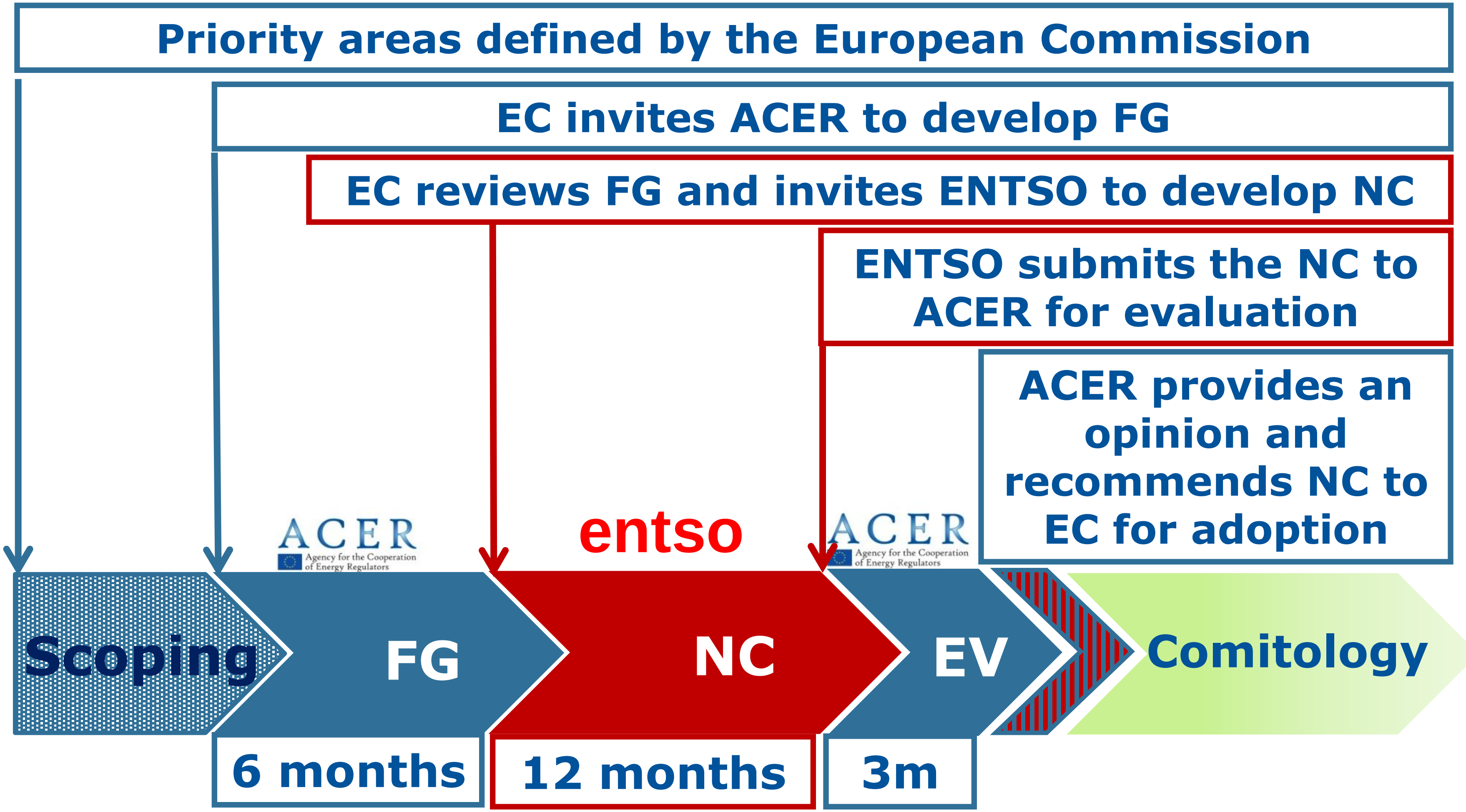
Regulation No 1227/2011

Regulation on Wholesale Energy Market Integrity and Transparency (REMIT)

Regulation No 347/2013

Regulation on guidelines for trans-European energy infrastructure (TEN-E)

Framework Guidelines / Network Codes process



Overview Gas Network Codes and Guidelines

Start date: Q3/2012
EC takes over: Q4/2015
Exp. publication: Q4/2016-Q1/2017
Exp. application: Q1/2018

Draft NC on Harmonised Tariff Structures

- Promotes cost-reflective tariffs to avoid discrimination between cross-border and domestic users and allows for appropriate reconciliation of TSO revenues

Start date: Q1/2012
EC takes over: Q4/2013
Published: Q2/2015
Applicable: 1/05/2016

NC on Interoperability and Data Exchange Rules

- Requires operational, technical, business communications under standardised formats

Start date: Q2/2011
EC takes over: Q1/2013
Published: Q1/2014
Applicable: 1/10/2015

NC on Balancing

- Allows network users to take out less/ more gas than they have injected into the system and balance their positions, previously an exclusive TSO activity

Start date: Q1/2011
EC takes over: Q4/2012
Published: Q4/2013
Applicable: 1/11/2015

NC on Capacity Allocation Mechanisms

- Promotes and defines harmonised capacity allocation mechanisms via auctions, standardised bundled cross border capacity products at interconnection points

Start date: Under ERGEG
EC takes over: Q3/2011
Published: Q3/2012
Applicable: 1/10/2013

Commission Guidelines on Congestion Management Procedures

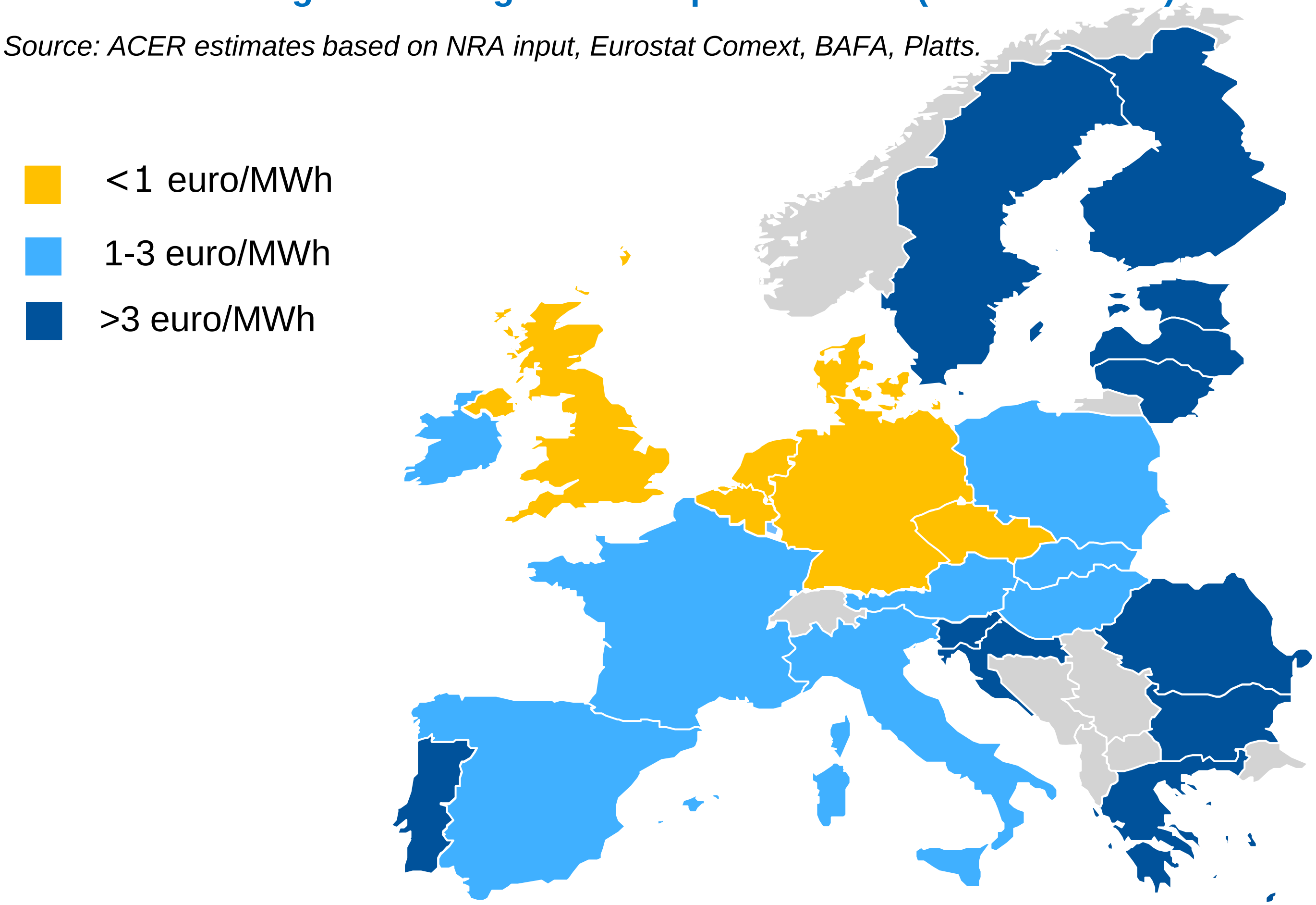
- Promotes better use of interconnection capacity through an improved handling of contractual congestion

Timeline: Q1/2011-Q1/2018

As a result, MSs supply sourcing costs are further converging, although some differences persist leading to welfare losses

2014 calculated gas sourcing cost* compared to TTF (= 23.7 € /MWh)

Source: ACER estimates based on NRA input, Eurostat Comext, BAFA, Platts.



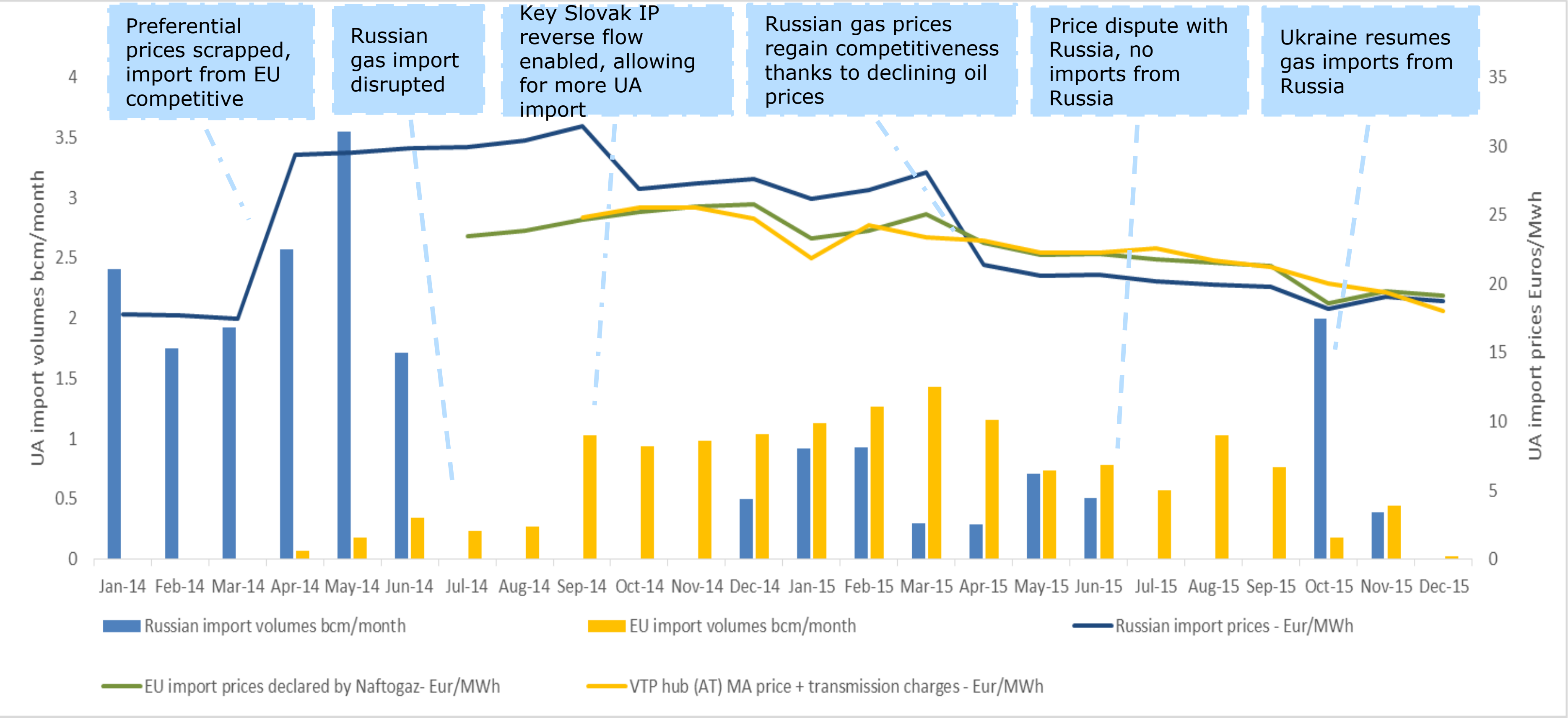
Price levels are higher in those regions with

- less developed hubs
- weaker inter-connection
- less competitive market frames

* Suppliers' sourcing costs take into account both border import and diverse hub product prices. A weighted average of monthly sourcing costs and demand is performed to obtain the yearly figure.

The Ukrainian market is getting more integrated into the EU gas market

Ukraine gas imports (bcm/month) and estimated Ukrainian gas import prices - €/MWh

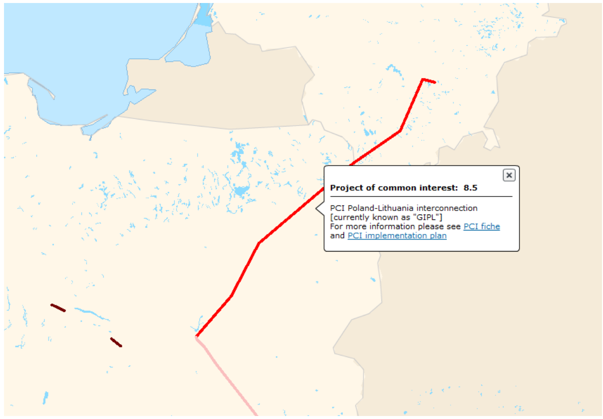


Source: Volumes from ENTSOG TP, Ukrtransgaz and IEA. Import prices: ACER estimates based on Naftogaz, EnergyPost.eu and ICIS Heren.

Infrastructure: Cross Border Cost Allocation

Gas Interconnector Poland Lithuania

- 530 km pipeline with initial capacity 2.4 bcm/y, cost €558 m, net benefits €830 m
- Aimed at ending isolation of Baltic Member States from EU gas market and at diversifying gas supply



Process

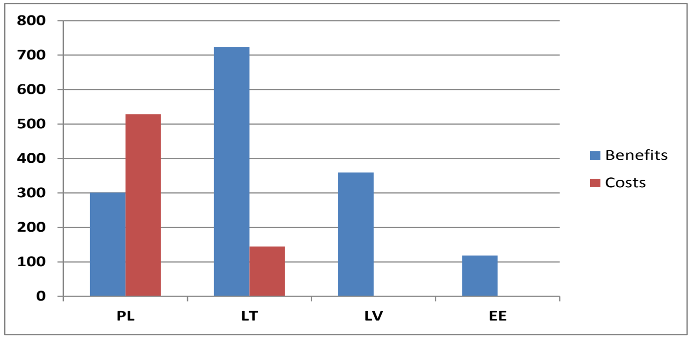
- 1 May 2014: no NRA decision within 6 months deadline, investment request referred to ACER
- May - July: consultations with NRAs and project promoters
- 11 August: Decision No 01/2014 adopted and notified to parties concerned. Decision published on 29 August

GIPL Cross Border Cost Allocation

Assessment

- Admissibility, completeness and maturity
- Costs and benefits by Member State

GIPL Costs and Benefits (€m)



Cross-Border Cost Allocation

(ACER Recommendation No 07/2013 of 25 September 2013)

Payer TSO	Recipient TSO	Compensation Payment (€m)
AB Amber Grid (LT)	Gaz-System S.A. (PL)	54.9 (64.0%)
JSC Latvijas Gāze (LV)	Gaz-System S.A. (PL)	29.4 (34.3%)
AS EG Vorguteenus (EE)	Gaz-System S.A. (PL)	1.5 (1.7%)
Total Compensation		**85.8 (100%)**

- Compensation payable upon project commissioning

- Current role of the Agency
- **Future role of the Agency**

European Commission Vice President Šefčovič on the Energy Union

The European Energy Union

The Energy Union Communication

"A framework strategy for a resilient energy union with a forward-looking climate change policy"

Brussels, 25.2.2015
COM(2015) 80 final

- *ACER currently acts primarily through recommendations and opinions.* ***It has very limited decision-making rights.....***

- *EU-wide regulation of the single market should be strengthened, through* ***a significant reinforcement of the powers and independence of ACER to carry out regulatory functions at the European level*** *in order to enable it to effectively oversee the development of the internal energy market and the related market rules as well as to deal with all cross-border issues .....*

The European Energy Union

The New Energy Market Design

Communication from the Commission launching the public consultation process on a new energy market design

Brussels, 15.7.2015
COM(2015) 340 final

- *In line with the increased cooperation of system operators, **the powers and independence of ACER may need to be reinforced so that it is able to carry out regulatory functions at European level where needed**. **ACER could then arbitrate in regional and EU level disputes…***

- *Could include power **to adopt directly applicable and binding decisions on EU-level initiatives and cross-border issues** and introduction **of enforcement powers** to ensure compliance with such decisions….*

The 'Bridge to 2025' Conclusions

An increasingly integrated EU market requires an appropriate dynamic regulatory framework and cooperation arrangements

Key Conclusions in the "Bridge to 2025" (September 2014)

In line with the Energy Union strategy

Customers and all stakeholders central and must be engaged

Consumers involved in providing flexibility

ACER likely to have an increasing role in a more integrated EU energy market

Appropriate regulatory oversight will be needed

ENTSOs' evolving role and New bodies created

Clear role and rules for DSOs

IEM open to neighbouring countries

Building regulatory capacity along IEM principles

Specific proposals on ACER's future role

Oversight of ENTSOs and other Bodies

- Increasingly important role of ENTSOs
- Effective oversight by ACER of the ENTSOs and of other bodies with critical/monopoly IEM functions
- ACER to be able to issue binding decisions

Stronger NRAs Coordination

- ACER to replace "all NRAs" in taking CACM 3rd-level decisions
- Mechanisms to further enhance cooperation and coordination among NRAs
- ACER to be allowed to issue "own-initiative":
  - "Peer review" Opinions
  - Recommendations for Good Practices
  - Opinions on the application of Guidelines

Monitoring of Markets

- ACER to be given powers to require information from all EU energy-sector entities when needed for monitoring

A strengthened role for the ENTSOs

ENTSOs role strengthened to act in the interest of the Union; subject to robust governance and effective regulatory oversight

Regional Security Coordinators (RSCs) key part of the future power market; a roadmap for the geographical scope of RSCs to be defined; the role of RSCs enhanced and clearer

Effective regulatory oversight at regional level

ENTSOs to operate in the Union's interest, distinct from the interests of TSOs	Stronger ENTSOs statutory and financial independence from member TSOs, direct funding	ENTSOs power to request necessary assistance from TSOs (e.g. info)	ENTSOs to adopt robust decision-making rules	ACER powers to issue binding decisions to ENTSOs and sanctions for non-compliance with ACER decisions or with ENTSOs tasks

New Bodies with EU-wide Functions

Governance of power exchanges is important

NEMOs must cooperate within a formal framework; under regulatory oversight; take coordinated decisions according to transparent rules

Require NEMOs to establish **a common body** to cooperate	Establish clear general rules for the NEMOs' **coordinated decision making** and for implementation	**Effective regulatory oversight** of the common NEMO body and ACER powers to issue binding decisions, and impose sanctions for non-compliance with ACER decisions or with NEMO tasks

Similar governance and regulatory issues may emerge in the case of Gas Booking Platforms

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Thank you for your attention

www.acer.europa.eu