

Robust market rules Gas network codes in the EU

Energy Community Gas Forum 2017

Jan Vitovský
Subject Manager, Capacity, ENTSOG

Content



- Network Codes development overview
- Congestion management procedures guidelines
- Balancing NC
- Capacity allocation mechanisms NC
- Tariff NC
- Lessons learned, recommendations
- Conclusions

ENTSOG



- Association of 45 European Gas Transmission System Operators
- Objectives:
 - > promote the completion of the internal market for gas and stimulate cross-border trade
 - > ensure efficient management and coordinated operation of the European gas network







What are the Network Codes looking to

achieve?



Harmonisation of legislation

Short term liquidity

Increase competition at wholesale

Remove market entry barriers

Transparency

Better connect national markets

How far have we come with the NCs?

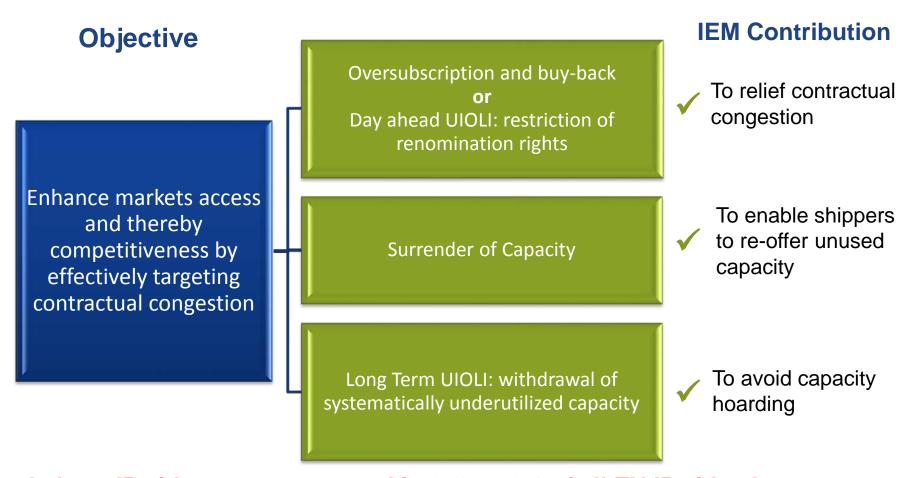
Capacity (CAM)



2018 2019 2015 2016 2017 Implementation of most **CMP Implementation** 01.07.2016 Transparency CMP-rules: October 2013 CAM 01.11.2015 Imp. **Transitional** Balancing Interim measures 4/2019 Imp. Implementation. 01.10.201 Inter-**Implementation** 01.05, 2016 operability Endorse **Tariffs Development Implementation** 6/2019 ment **Endorse** Incremental Development 4/2017

ment

Congestion Management Procedures (CMP)



Only 23 IP sides were congested in 2017 = 9% of all EU IP sides!

Balancing (BAL NC)



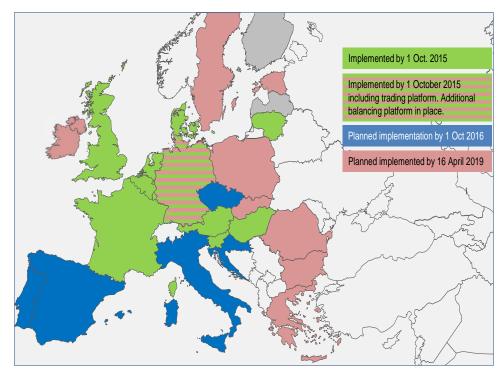
IEM Contribution Objective Operational balancing using a merit Stimulate liquidity in order of products short term markets Promote Short Harmonised (re)nomination Enable network users procedures and portfolio information to balance their own term markets and portfolios market-based balancing via Daily imbalance charge, within-day Incentivises network harmonised rules obligations and neutrality of TSOs user to balance Ensure smooth nterim measures: Balancing platform transition and tolerances

BAL NC – 3 implementation deadlines



The BAL NC provides a high degree of flexibility to NRAs and TSOs in their implementation, as gas networks and markets differ from each other in their characteristics.

- The BAL NC is applicable as of 1 October
 2015.
- Possibility to postpone its application until 1 October 2016 (transitory period option)
- **3. Interim measures** can be implemented for up to 5years (i.e. until **16 April 2019**).



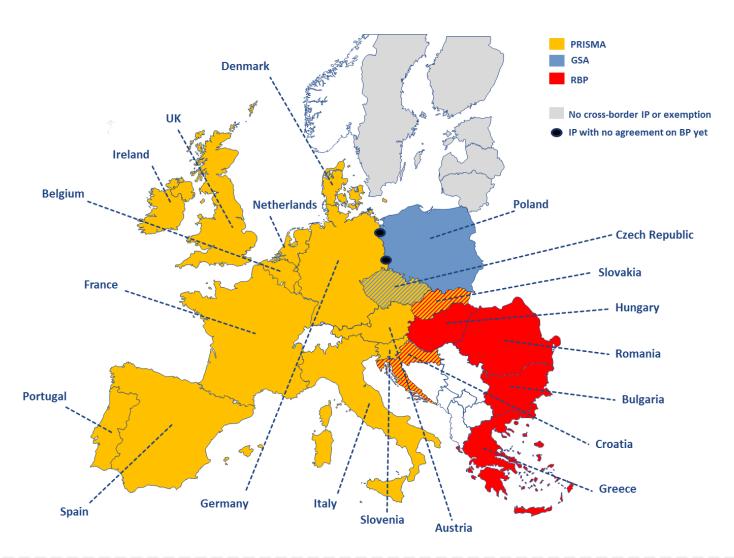
Capacity Allocation Mechanisms NC



IEM Contribution Objective Simplify allocation Standardised set of Bundled capacity procedures products Harmonised Establish one-stop-Auctions via booking platforms shop for booking auction procedures and bundled products enhance transparent and Ensures availability of Short term reservations equal access short term capacity Facilitate hub-to-hub Virtual Interconnection Points booking

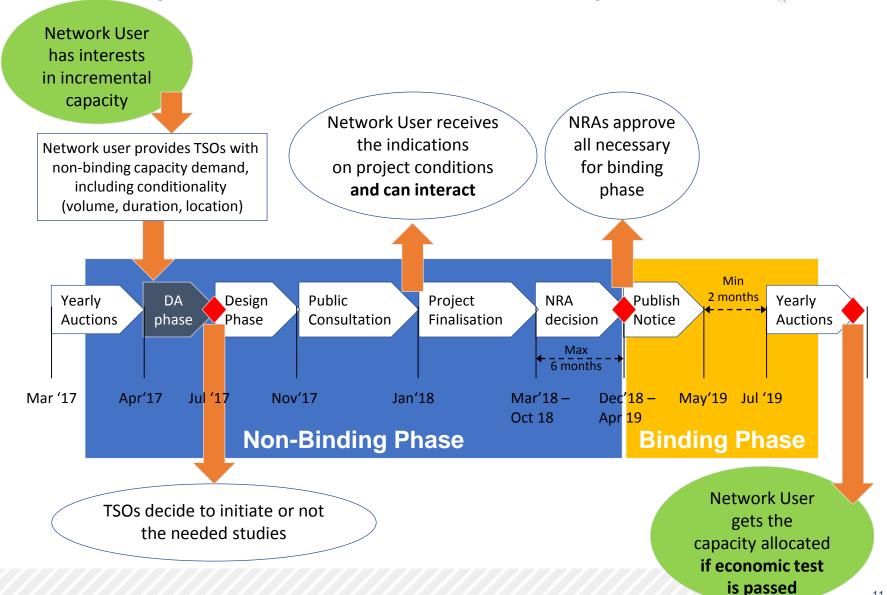
Capacity Booking platforms in EU





1st INC process - initiated on 6 April 2017







Incremental capacity demand assessment 2017

- ENTSOG published <u>Demand</u> <u>assessment reports</u> on July 27
- Network users submitted nonbinding demand indications at 18 market area borders / interconnection points
- In 10 cases, demand indications will lead to technical studies of the incremental capacity projects being initiated by the affected TSOs
 - AT-HU, AT-SI, AT-DE, HR-SI, DE-NL, DE-RU, DE-PL, GR-IT, IT-Malta, HU-SRB



Tariff Network code



Transparent, cost-reflective,
non-discriminatory
transmission tariffs that
minimise cross-subsidies,
facilitate efficient gas trade
and competition and
provide investment
incentives

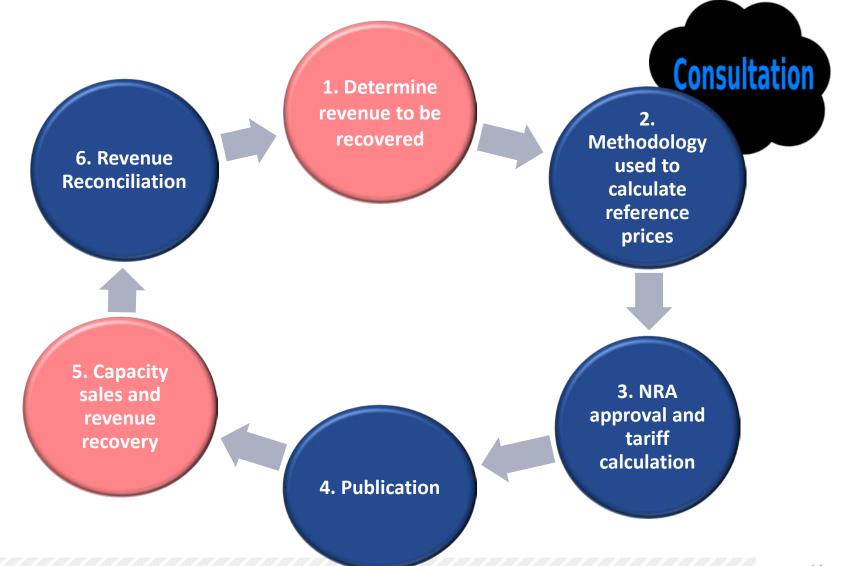
Consultation on RPM at least every 5 years Short-term pricing consultation every tariff period Publication of all IP tariffs on ENTSOG's TP Publication of all tariffs before the gas year and the tariff period Consistent use of reference price methodology for all points on the system Cost allocation test to help measure cross subsidies Capacity-based tariffs by default Harmonised principles for discounts, multiplier ranges and SF methodology

IEM contribution

- Increased transparency
- Stakeholder involvement in consultation processes
- Harmonised set of allowed tariffs
- ✓ Harmonised short-term pricing

Process for tariff calculation



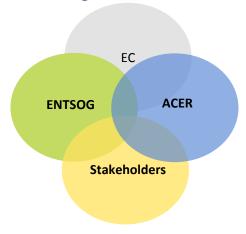


Life after the Network Codes?



1. Monitoring by ACER & ENTSOG

From **implementation** monitoring to **effect** monitoring



2. Functionality

Check and ensure NCs work properly

Stakeholders involvement:

- Stakeholders to <u>provide input</u>
- Access to reported issues including status
- Involvement in development of solutions (consultations, workshops, expert groups)
- Visit www.gasncfunc.eu

Network Code functionality will need to be reviewed by all stakeholders

- Do the codes achieve what they were aiming to?
- Are there any gaps in what the codes should cover?
- Are the codes fit for purpose with the changing market?

Impact of NCs on the Internal Gas Market

High-level policy goals for the internal market set in EU Gas regulation EC 715/2009

- Market integration
- Non-discrimination
- Effective competition
- Efficient market functioning

Effects observed by ENTSOG NC effect monitoring and ACER market monitoring

- Improved transparency visit ENTSOG site http://transparency.entsog.eu
- Decreased congestion (contractual /physical)
- Harmonized and non-discriminatory access to the capacity
- Hub price convergence
- Increased market liquidity at gas hubs = higher competition

Lessons learned, recommendations



- > TSO unbundling is a key point not only under 2nd energy package but also with all rules and requirements of the 3rd EP
- > Transform point-to-point model to entry-exit systems
- National market rules (regulatory framework) should be transparent, available also in English
- Make sure that national rules enable creation of Virtual trading point to increase competition on wholesale level and create liquid market

Lessons learned, recommendations



- Align relevant national legislation to EU Gas regulation and network codes
- Adjust implementation plan to the current status of national market rules
- Discuss cross border issues related to implementation of Network codes with neighbouring NRAs and TSOs to avoid inconsistencies
- Implement the Network codes in a standard way, without additional conditions or rules not stated in the Network code

Conclusions



Network code implementation is key to ensure the European Internal Gas Market – and should have highest priority

Do not hesitate to ask for support, ENTSOG is willing to share best practices and implementation guidance and to help with implementation of EU market rules in EnC Contracting party countries





Thank You for Your Attention

Jan Vitovsky Subject manager, Capacity, ENTSOG

ENTSOG -- European Network of Transmission System Operators for Gas Avenue de Cortenbergh 100, B-1000 Brussels

EML: <u>Jan.vitovsky@entsog.eu</u>

WWW: www.entsog.eu