

# **Robust market rules Gas network codes in the EU**

**Energy Community Gas Forum 2017**

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# What are the Network Codes looking to achieve?

Contribute to create EU Internal energy gas market

Harmonisation of legislation

Short term liquidity

Increase competition at wholesale

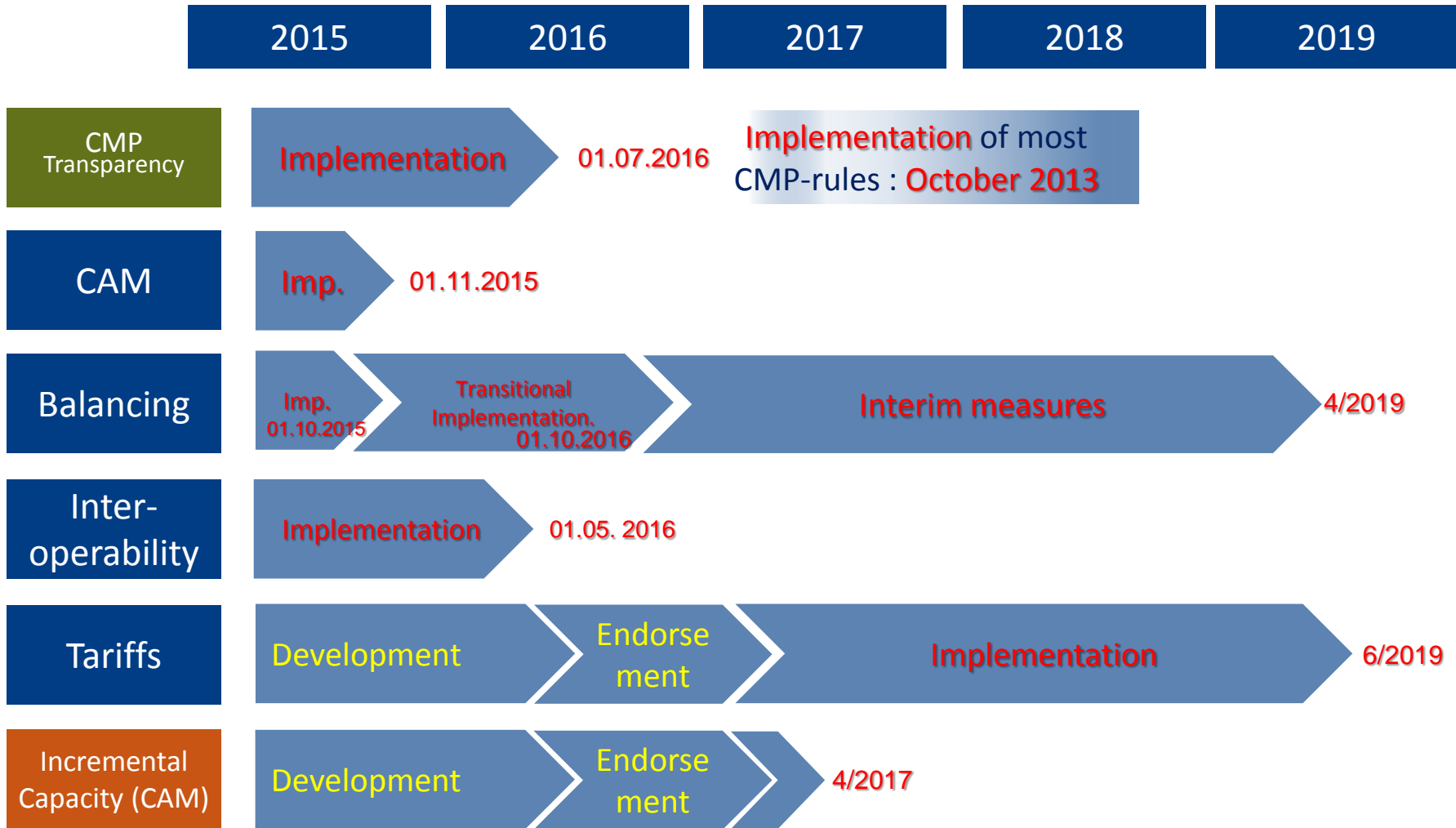
Remove market entry barriers

Transparency

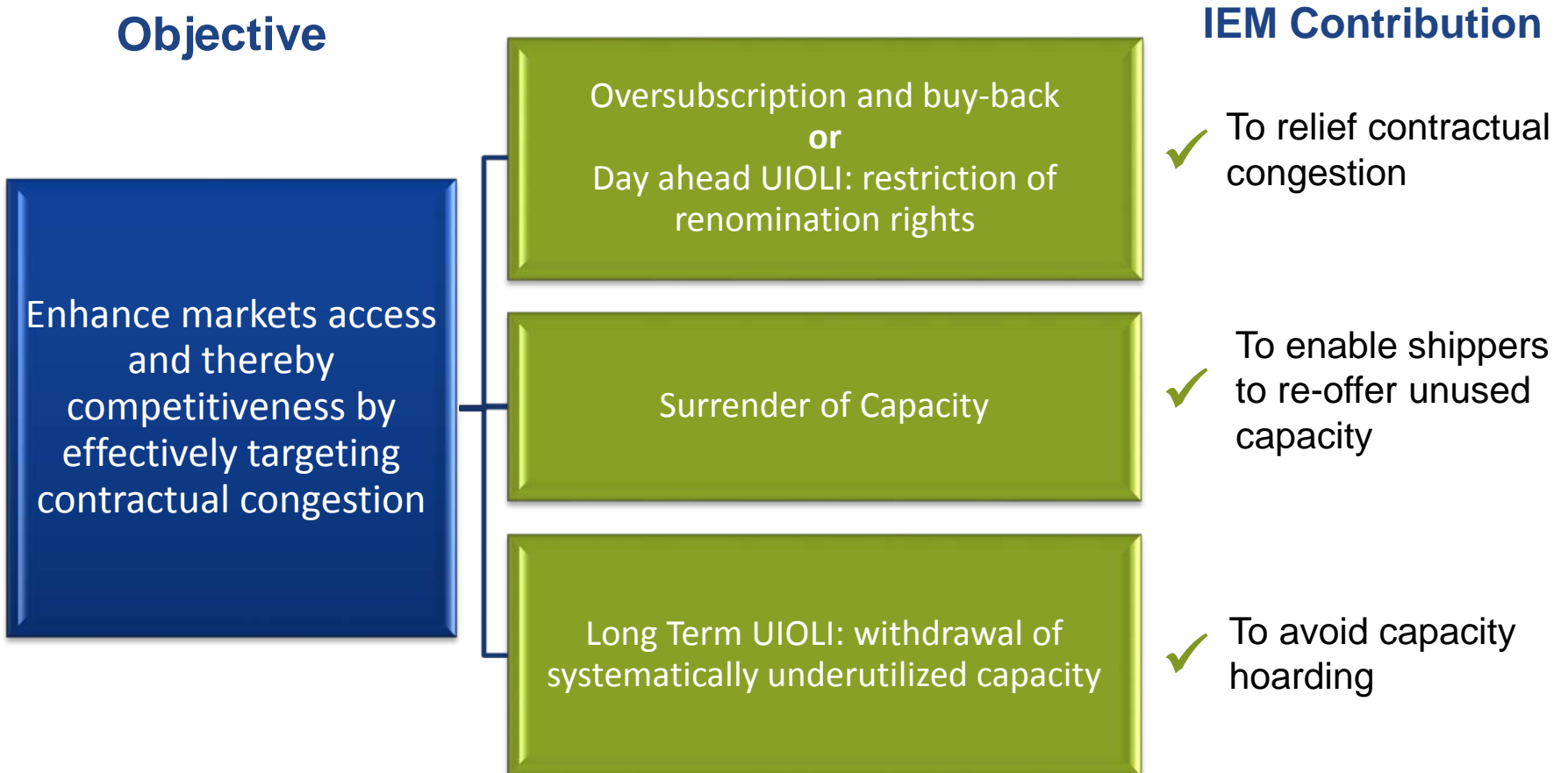
Better connect national markets



# How far have we come with the NCs?



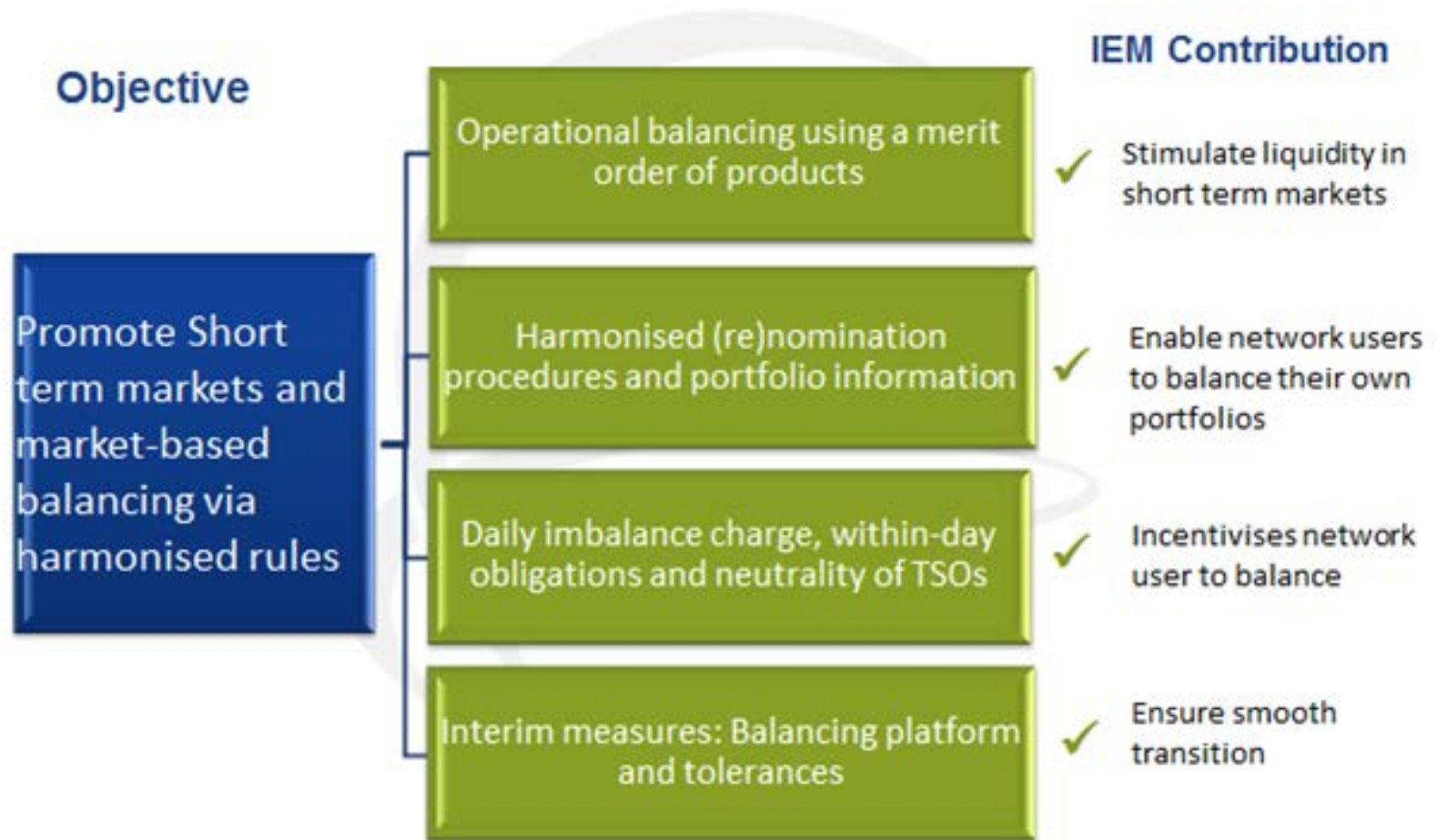
# Congestion Management Procedures (CMP)



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



# Balancing (BAL NC)



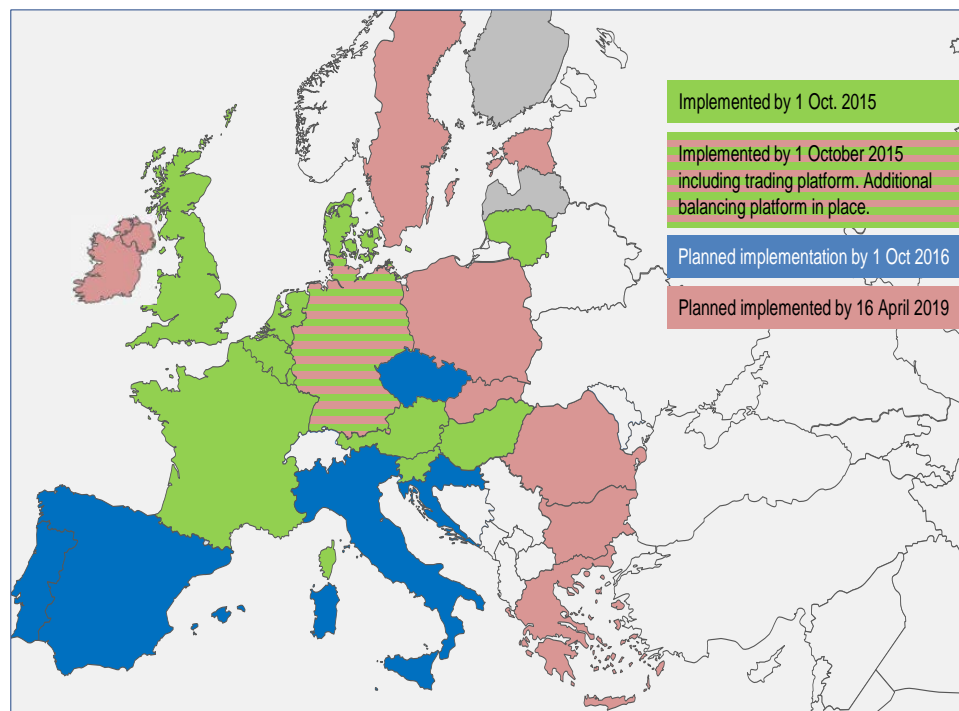


# BAL NC – 3 implementation deadlines



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.

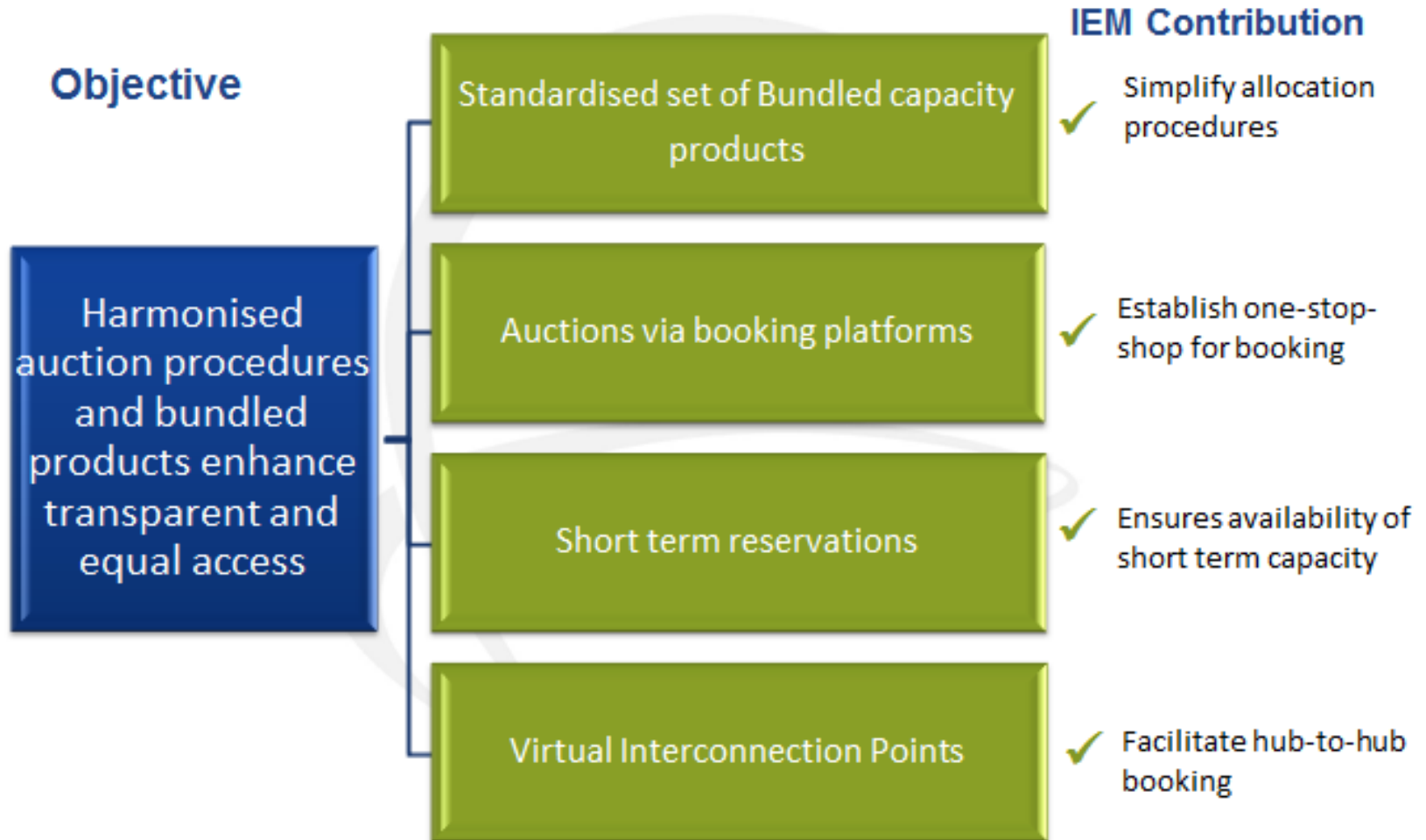
1. The BAL NC is applicable as of **1 October 2015**.
2. Possibility to postpone its application until **1 October 2016 (transitory period option)**
3. **Interim measures** can be implemented for up to 5 years (i.e. until **16 April 2019**).





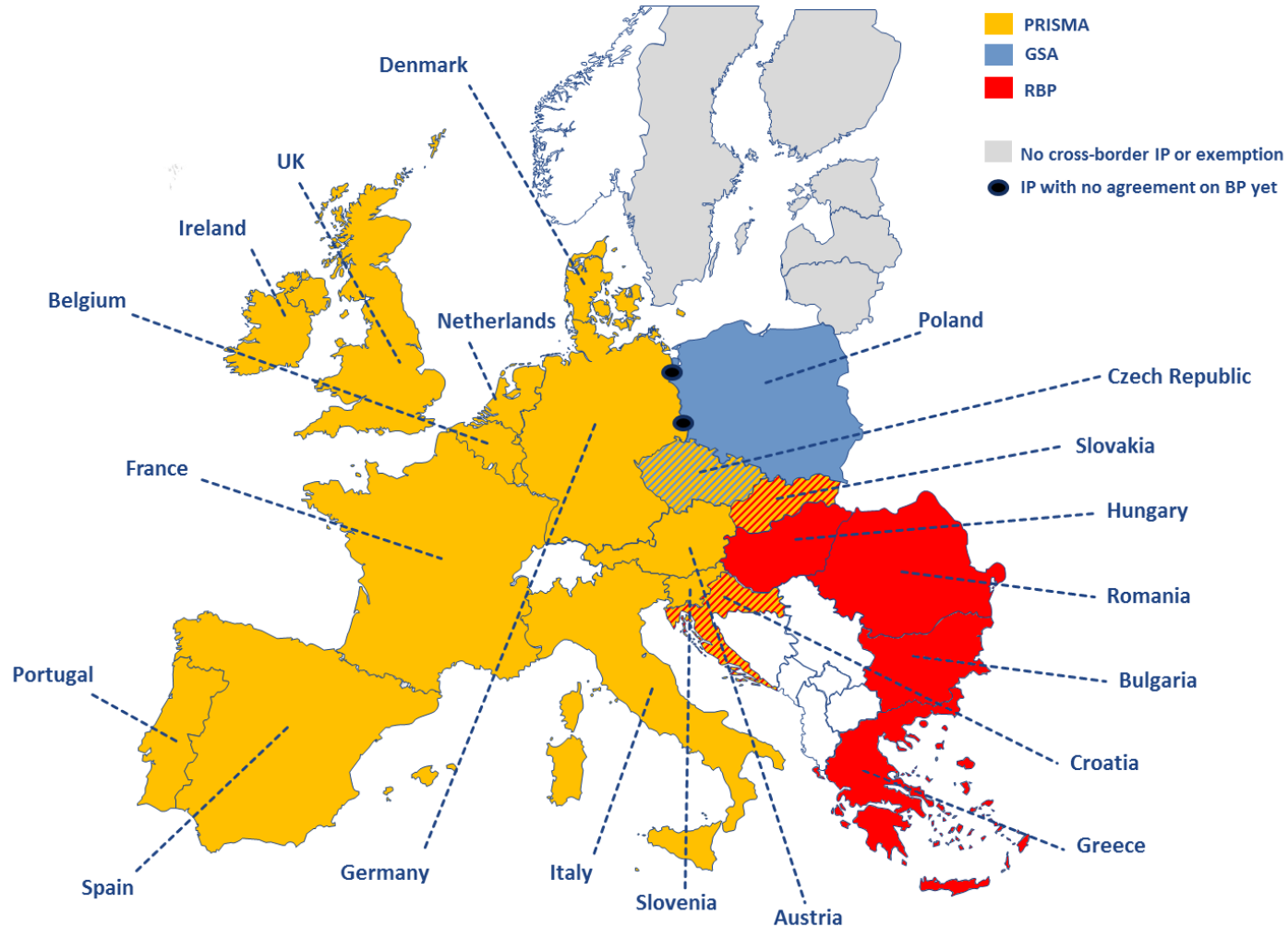


# Capacity Allocation Mechanisms NC

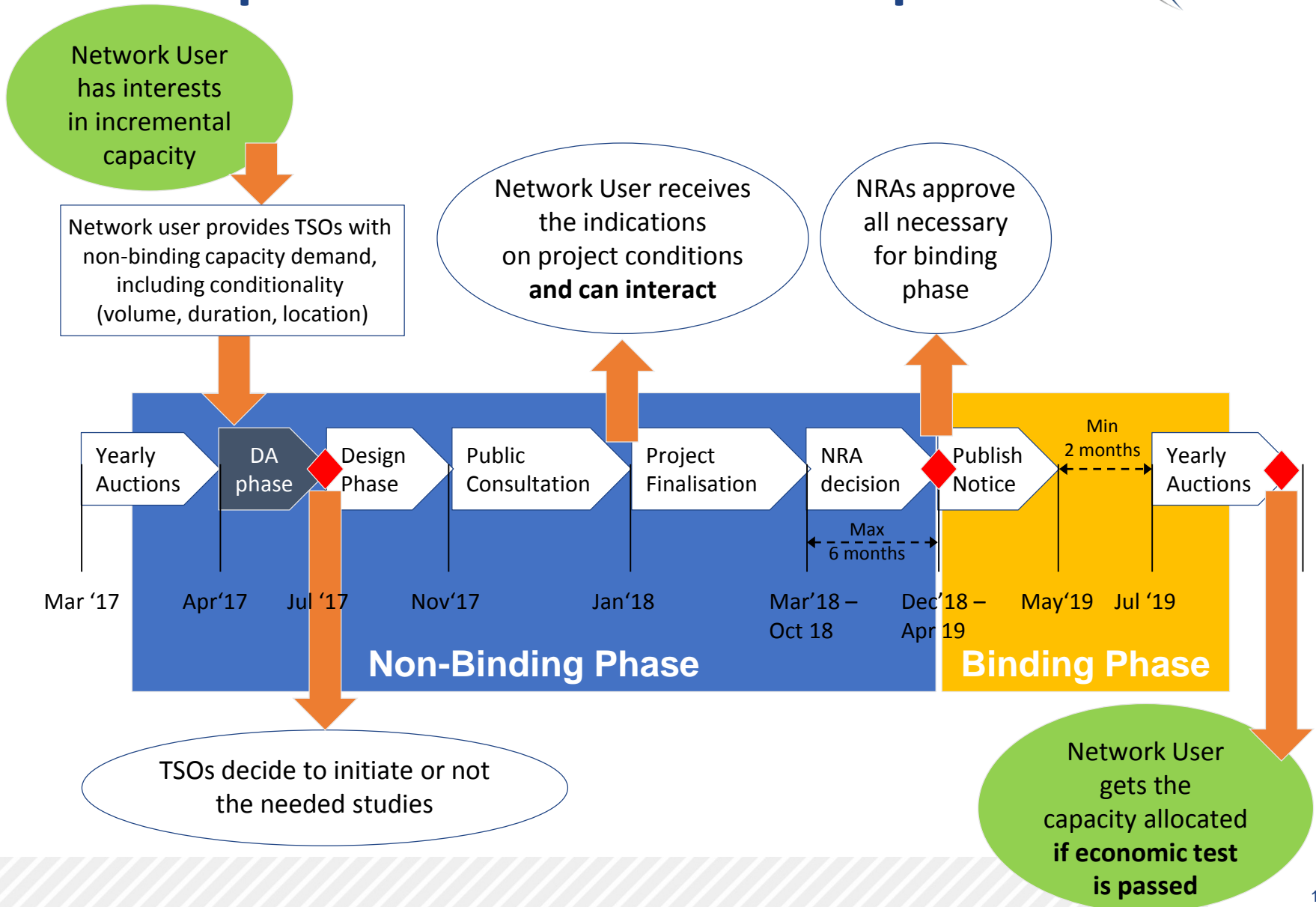




# Capacity Booking platforms in EU



# 1<sup>st</sup> INC process - initiated on 6 April 2017



# Incremental capacity demand assessment 2017

- ENTSOG published [Demand assessment reports](#) on July 27
- Network users submitted non-binding 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

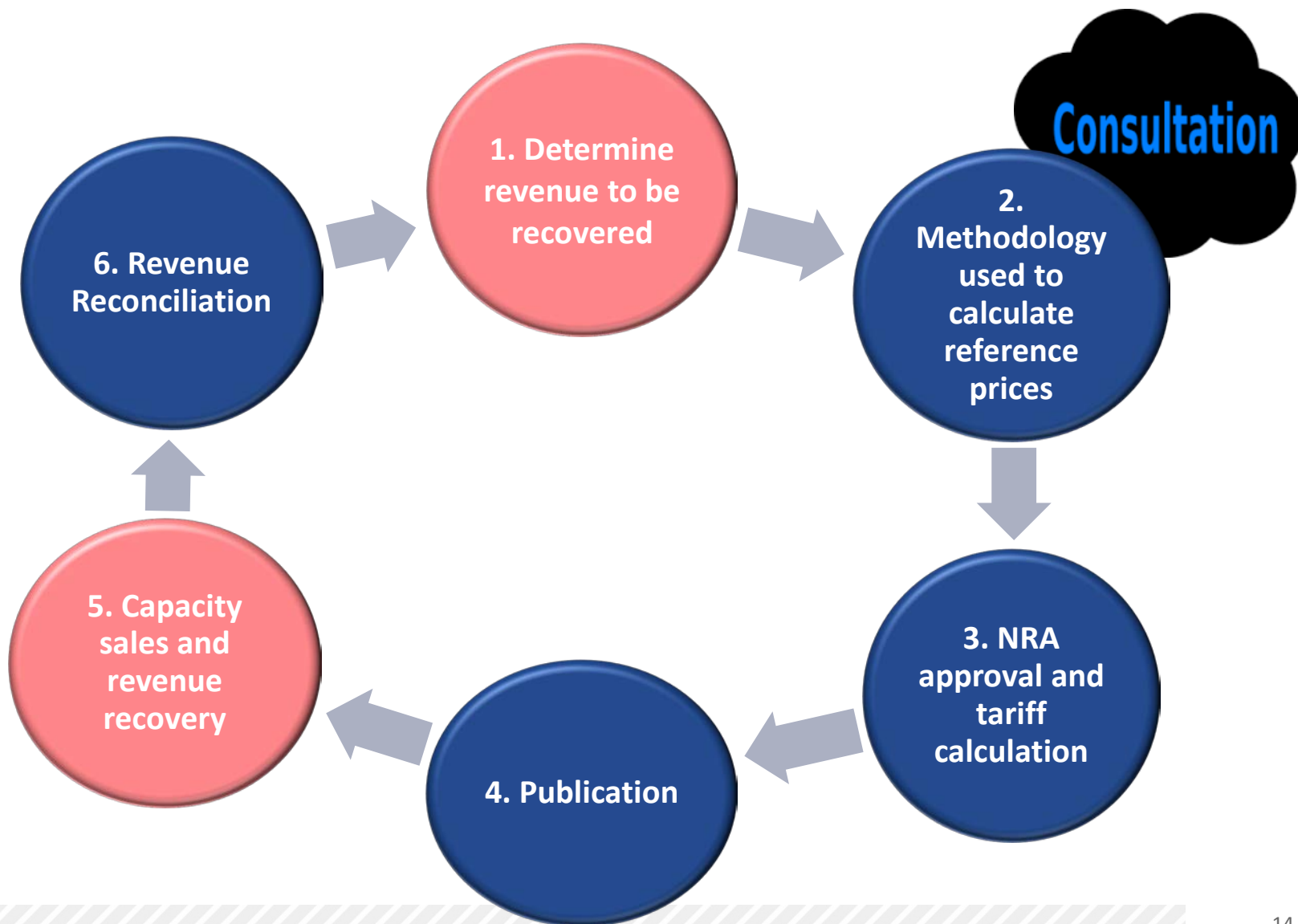
- Consultation on RPM at least every 5 years
- Short-term pricing consultation every tariff period
- Publication of all IP tariffs on ENTSOG's TP
- Publication of all tariffs before the gas year and the tariff period
- Consistent use of reference price methodology for all points on the system
- Cost 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



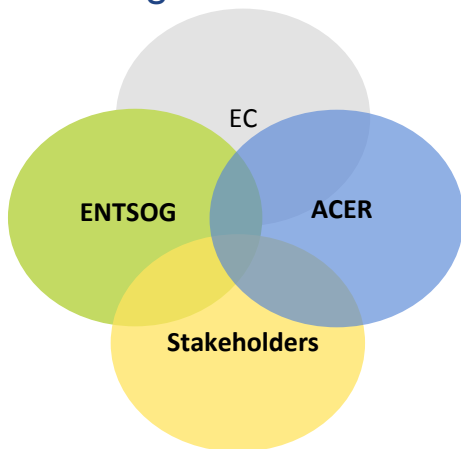
# Process for tariff calculation



# 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 provide input
- Access to reported issues including status
- Involvement in development of solutions (consultations, workshops, expert groups)
- Visit [www.gasncfunc.eu](http://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 2<sup>nd</sup> energy package but also with all rules and requirements of the 3<sup>rd</sup> 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

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