

Draft notes of Meeting

ENTSOG INC Refinement workshop

23 September 2014, ENTSOG offices, 10:00-13:00

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Jan Ingwersen	ENTSOG	Niels Krap	Ontras
Jan Vitovsky	ENTSOG	Elena Bezrodnaya	OGE
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Andrey Konoplyanik	Gazprom Export	Marco Gazolla	SNAM
Alex Barnes	Gazprom Marketing & Trading	ThomasQuerrioux	ACER
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Amroze Adjuward	EDF	François Leveille	CRE
Andrew Pearce	BP Gas Marketing	Slawomir Lizak	EuRoPol GAZ

Pekka Ulander	European Court of Auditors		
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1. ENTSOG welcome and update on project status

The meeting was opened by the chair, Mark Wiekens, who welcomed all participants and introduced the proposed agenda for this meeting. The chair also informed the participants about current project status and next steps.

2. Results of the consultation

Frederik Thure presented results of the INC public consultation, i.e. stakeholder sound bites to the most important parts of the INC document. It was stressed that the sound bites were selected to provide a general overview on the main issues raised in the responses. The presenter explained that the sound bites were sometimes in contradiction to each other or even mutually exclusive. Therefore, ENTSOG cannot accommodate all remarks.

3. Preliminary views - CAM NC amendments

Bijan Glander presented the refinements in the CAM part of the INC document.

Streamlining of the process (flow chart of the INC process)

ENTSOG presented an illustration summarising all process steps of an incremental capacity project including the foreseen refinements done to the version of the Incremental Proposal consulted upon and asked for feedback. It was questioned by stakeholders whether the process could be shortened by avoiding unnecessary formalities. The regulators put forward that there is no need for an NRA approval process after the demand assessment and that avoiding such an approval could reduce the time required for incremental capacity to be offered.

One stakeholder questioned the efficiency of the ACER/ENTSOG compromise on the allocation mechanism to be used in Open Seasons, especially with regards to cross-border mega projects.

Frequency of the demand assessment

ENTSOG explained that the incremental process cannot be expected to run within a period of 12 months in a credible way. Since the allocation of capacity will in any way take place in the annual yearly capacity auctions, the logical consequence would be that a demand assessment is launched every two years. This should be done at a set time across the EU to ensure cross-border co-operation. ENTSOG however also stressed that fully aware of the views of stakeholders that two years can be too long and therefore invites all participants to come up with proposal on how a network user needs can be fed into an efficient process. One stakeholder stressed that in order to

avoid the risk of overlapping several INC processes, 'Chinese walls' should be built up between auction and open season procedures. One of the two stakeholders explained why the 2 years cycle may cause problems – Network users could deliver not enough mature “information about their demand” just in order to meet the deadline set by TSOs. Furthermore, it was expressed by another stakeholder that a period of 24 months for the demand assessment is too long and that it shall be performed as soon as practical.

ENTSOG invites stakeholders to provide additional ideas and based on the collected ideas, will deliver a solution that takes into account all interests.

OSP procedure

ENTSOG presented the refined criteria to deviate from the default auction process and to use open seasons. The refinement of the criteria mainly aims at making the decision on whether the criteria are met more mechanistic and thereby more predictable to all parties.

Furthermore, ENTSOG explained that because of the bundled nature of capacity products, it would be logical to use only one allocation procedure for a single incremental project. For this reason the IP side with the highest level of complexity determines for the bundled product on offer whether auctions or open seasons have to be applied. This logic was understood by all parties present.

4. Preliminary views - TAR NC amendments

The chair presented the refinements in the TAR part of the INC document.

ENTSOG explained the enhancements made to network user involvement in the designing of economic test parameters. Other topics presented were the application of fixed/floating tariffs and the refined article on tariff adjustments.

Stakeholders unanimously voiced preference for a fixed price option for incremental capacity. One Stakeholder expressed an opinion that in order to achieve a positive economic test it would be more useful to extend the period or user commitments from 15 to more years instead of charging a mandatory minimum premium in the auction.

A stakeholder questioned the CAM auction as a part of the INC process in case of OSP in the binding phase.

5. Conclusions and next steps

The chair informed the participants of the Refinement WS that ENTSOG will appreciate remarks and comments to the INC document within next 4 weeks. Discussion slides and notes will be published on the ENTSOG website, along with a concrete refinement proposal provided by Gazprom to ENTSOG.