

1st EU Stakeholders Group Meeting

Wednesday 6th March, from 13:00h to 15:30h CET

ENTSOG premises, Avenue de Cortenbergh, 1000 Brussels

<i>Name</i>	<i>Company</i>	<i>Name</i>	<i>Company</i>
Vittorio Musazzi	ENTSOG	Artur Wozniak	GAZ-SYSTEM
Heather Glass	ENTSOG	Avian Egan	Gaslink
Violeta Bescós	ENTSOG	Balazs Tatar	FGSZ
Chrysoula Argyriou	EC	Benjamin Scholz	Gascade
Clara Poletti	ACER	Francesco Menditti	TAG
Juan de Miguel	ACER	Frank Roessler	Ontras
Beatriz Moreno Marcos	CNE	Gerald McIlroy	Premier Transmission
Carole Mathieu	CRE	Giuseppe Peluso	TAG
Ivo Van Isterdael	CREG	Grégory Duvivier	Fluxys
Jakub Bednarczyk	URE	Kieran O'Sullivan	Gaslink
Johannes Heidelberger	BNetzA	Maria Angeles de Vicente	Enagas
Rosita Carnevalini	AEEG	Mark Hobbelink Wiekens	GTS
Zsuzsanna Szeles	E-control	Paolo Di Benedetto	Snam
		Perrine Hagen	GRTgaz
		Róbert Fehér	FGSZ
		Valter Diniz	REN
		Zoltán Gellényi	FGSZ
Alex Barnes	EFET/Gazprom	Eszter Tordas	NFM
Andrea Bonzanni	Statoil	Gunnar Dedecker	GDFSuez
Andrew Pearce	BP	Kees Bouwens	ExxonMobil
Christine Ravnholt Hartmann	OGP	Monica Immovilli	Eurogas/Edison SpA
Claude Mangin	GDFSuez	Dirk-Christof Studemann	EnBW
Nabil Mezlef	EDF	Valentina Garruto	ENI
Dirk-Jan Meuzelaar	USG		

1. Opening and Welcome

Vittorio Musazzi welcomed all the participants to the first EU Stakeholders group meeting, which has the aim to involve and engage EU stakeholders and promote a high level of transparency in the CAM NC implementation process.

Clara Poletti noted the importance of the involvement of the stakeholders in the implementation phase of the projects. She explained the main objectives of the meeting:

- ✓ Present an updated overview of the pilot projects
- ✓ Take stock of the first outcomes of the implementation process
- ✓ Get feedback from stakeholders on the Roadmap and CAM implementation

Clara Poletti introduced the CAM Roadmap on behalf of ACER and ENTSOG:

- Madrid Forum XXII welcomed the early implementation work on CAM NC as reported by ACER and ENTSOG, and encouraged further progress on implementation. Therefore, ACER and ENTSOG, in close cooperation with NRAs and TSOs, have now finalized the CAM Roadmap. The document, which represents the culmination of nearly one year's work, was published on ENTSOG and ACER's websites on 1st March. It will be updated periodically to reflect developments in the pilot projects.
- The CAM Roadmap aims to facilitate early implementation of the network code by:
 - ✓ Promoting experience sharing and exchange of lessons learned between pilot projects.
 - ✓ Identifying good practice and critical issues of EU relevance
 - ✓ Informing adequately all interested stakeholders
 - ✓ Enabling ACER and ENTSOG to monitor the whole process, as requested by the MF, ensuring the coherence of solutions adopted by different projects.
- The governing arrangements created to facilitate the implementation are:
 - Core Groups: TSOs and NRAs involved in pilot projects, one group per project.
 - CAM Coordination Group: TSOs, NRAs, ACER, ENTSOG, EC, MS (if needed).
The role of this group is to facilitate implementation by building a common understanding on how to apply NC provisions, identify and exchange best practice, discuss issues of EU relevance and promote harmonized solutions, monitor developments and discuss the evolution of national regulatory frameworks.
 - EU Stakeholders Group: TSOs, NRAs, ACER, ENTSOG, EC, MS (if needed) and stakeholders (particularly associations).

The role is to involve and engage stakeholders and promote transparency.

2. Overview of the projects on early implementation of CAM

a) PRISMA (Grégory Duvivier, Fluxys; Perrine Hagen, GRTgaz)

Grégory Duvivier thanked all the participants and noted that the meeting is a good opportunity to update interested stakeholders about progress on early implementation. Grégory and Perrine presented the initiative of PRISMA:

- The aim of the project has been to merge three existing capacity platforms in order to save costs and to develop a single European platform for network users and to capitalize on existing technologies to develop a platform which consists of established and well-tested functionalities. Currently the platform has 19 TSOs as shareholders, from 7 countries. It is an open co-operation that allows all European TSOs to participate.
- The new platform will come into operation on the 1st of April and will connect nine important European hubs. It will serve for the booking of primary capacity products on all IPs of adjacent entry-exit systems in accordance with CAM NC. Secondary market features will also be part of the project. The platform will be able to handle regional regulatory specificities of different countries.
- During the implementation phase, a broad communication schedule to all stakeholders has taken place to give feedback on the objectives and the timelines: 8 meetings in the framework of the GRI since March 2012, 6 shippers' meetings with a total of approximately 300 participants, 3 meetings with NRAs and ACER and 3 TSO-specific workshops. A Shippers' Group will be put in place with the aim of aligning the platform with the market needs/expectations.
- The products offered and the allocation mechanisms used are compliant with those described in the CAM NC. General Terms and Conditions Documents (GTCs) formalize relations between shippers and PRISMA. There has been a close collaboration between NRAs/TSOs when drafting the GTCs.
- On the 20th February the registration was opened for shippers and so far 250 shippers have already registered. More registrations are expected until the 1st April, when the platform will be launched and the first auctions will take place.

In response to participants' questions, PRISMA representatives clarified a number of points:

- In addition to the PRISMA GTCs, shippers will need to sign a separate contract for each system on which they wish to be active.
- Each TSO also has a contract with PRISMA. These service contracts are made for a minimum period which reflects the investment needed to bring a new TSO into the co-operation.
- Two bundling approaches are possible using PRISMA:
 - o Classic Bundling approach: adjacent TSOs agree a priori on the product to be offered, taking into account where necessary different types of firm capacity that exist. For example, at Obergailbach different 'flavours' of firm in Germany will be bundled with firm products in France and offered in auctions taking place at the same time.

- Cross Bundling approach: TSOs agree in advance that different bundled products including different 'flavours' of firm capacity will be offered in a certain priority order. The auctions take place sequentially, with the auction for the second priority product being launched once the first priority product has been sold out, and so on.

NRA's overview on the project (Johannes Heidelberger, BNetzA)

- NRAs welcome this successful project and are facilitating early implementation through close interaction with TSOs and the Platform: GTCs improvement, bilateral discussions between NRAs on implementation issues (including bundling arrangements, price steps and the auction premium split).

b) Bundled Product at Lasów (Frank Roessler, Ontras)

- One IP (Lasów) between Germany and Poland was selected for this pilot project. In Poland, the gas market is going through a huge development (e.g. increase production of shale gas expected, new LNG terminal). Quarterly products are to be auctioned initially. The capacity of the IP is 2 GWh/h, although much of the capacity has already been sold. A proportion (58 MWh/h) of the unsold capacity has been set aside for offer through this pilot allocation project. Significantly more capacity is expected to become available in the coming years.
- The auctions will take place on the 3rd June 2013, when the first three quarters of 2014 will be auctioned. The platform PRISMA is being used for the pilot project.
- Shippers have been involved in the process through consultations and workshops when developing T&Cs. Shipper seminars are taking place during early 2013 and a Shipper Manual giving details on how to book capacity will be published shortly before the auctions. Registration will be open during April and May. A co-operation agreement and product description paper that describes the product, the auction features and auction details has been also published.
- An agreement has been reached to extend the project to include auctions for other CAM NC products and the lessons learnt from this pilot project will be taken forward for future allocation processes. Yearly products according to the CAM NC will be offered as of March 2014 and subsequent years. Also subsequent quarterly products and monthly and daily products are intended to be offered by the end of 2014. The plan is to allow the offer of all the CAM NC products in advance of the mandatory deadline.

In response to participants' questions, a number of points were clarified:

- Existing contracts will be respected and already sold capacity will not be re-offered in this project.
- The contracts will allow shippers to sub-lease their capacity rights. The technicalities of this are still being worked out. Shippers will need to ensure that they comply with the CAM NC rules concerning the use of bundled capacity.
- An indication of the booking situation at this IP can be found in the impact assessments carried out for the CAM NC and CMPs.
- Relevant issues arising from differences in the market design between the two countries have been resolved between the TSOs and NRAs involved in this project.

c) Bundled Product and capacity platform – HU/RO (Zoltan Gellenyi, FGSZ)

- The Regional Booking Platform is a web-based booking platform for the offer of primary and secondary capacity. It is a tailor-made functionality that is flexible with regards to business solutions and can be applied to other IPs where bundled capacity is offered. It was presented to interested TSOs in January.
- The platform is designed to be CAM NC compliant and to fit within the European regulatory diversity and with different TSOs' and network user's expectations. It is a secure and easy-access tool.
- The platform is ready to go live by April 2013 and will be available for testing for fellow TSOs and shippers. Following the resolution of all legal and regulatory issues, the first monthly capacity auctions will be possible in mid of 2013. Secondary capacity will be tested by the 2nd half of this year and will go live by 1st quarter of 2014. A concrete timetable will be announced at the earliest opportunity.
- TSOs will be responsible for offering the maximum possible firm capacity and the platform will bundle it using the 'lesser-of' rule. Unbundled capacity will be offered separately. Extensive work has been done to enable a framework in which capacity sold as a bundled product is kept in this form.
- NRAs' support was especially important with regards to harmonizing network access rules (gas day, energy units), harmonizing capacity products (the products offered were different in each country until this point) and harmonizing licensing criteria in order to facilitate easier market entry (energy trading license criteria differ between Hungary and other eastern European countries). Credit control issues have also been resolved.
- In order to identify regulatory barriers and how to overcome them, close cooperation between the two TSOs and the involvement of the two National Regulators have been required. It was noted the preparation effort was huge, since for example, until now it was not possible to take gas from Romania, either physic flows or backhaul flows. The aim is to create a successful project for TSOs and for the market.
- MoU was published in 2012. Other areas of co-operation are BAL NC early implementation and a reverse flow project which is in preparation.

In response to participants' questions, a number of points were clarified:

- The project is currently focusing on the HU-RO interconnector in its pilot phase but it is hoped that it can be extended to other IPs in the region. Of the countries bordering Hungary with connection between the gas systems, two of them are currently members of the EU: Austria and Romania (there are other two Slovenia and Slovak Republic, but if I remember correctly there is no connection between the gas systems. Please checkthis). The IP with Austria is notoriously congested, so this IP was not targeted in the pilot phase as no products could currently be offered to the market apart from interruptible products. Discussions with other TSOs are taking place.
- Two different contracts are signed with both TSOs. The system is based on a dual contract model: the condition precedent of the NU-TSO1 contract is the valid NU-TSO2 contract and vice versa.

d) Annual Transmission Capacity Auction at the VIP between PT/SP (Maria Angeles de Vicente, Enagas)

- Enagas and REN committed to develop a joint allocation procedure to allocate bundled products in a coordinated mechanism by 2012. In 2013, a similar procedure will be carried out.
- The price payable for the capacity allocated is a regulated tariff and the auction premium. The regulated tariff is the tariff in force in each country in the moment of the utilization of the capacity. The auction premium will be split (50%-50%) between the two TSOs. A single round auction algorithm is used. The premium at the first price step, P_0 , will be 0 and the following price steps will be defined as a fixed price positive increment premium of 3% (arithmetic progression) of the tariff in each country, with 30 price steps per country.
- The calendar for the 2013 auctions process was shown. Firm yearly products will be offered by the 1st week of June. Quaterly products will be offered the last week of June. Interruptible products will be offered in July (1st-2nd July).
- This year, yearly and quarterly capacity products will be offered. The capacity offered on the VIP has increased up to 60 GWh/d, though it was noted that this is a preliminary figure and may increase. Firm and interruptible products are offered. Interruptible products are not offered if less than 95% of firm capacity for the equivalent firm product has been allocated.
- To participate in an auction, shippers have to be accredited as qualified shippers for the auction. There is a pre-qualification phase and a qualification phase (the last one only required for firm products auctions).
- Lessons learnt from the 2012 project are:
 - ✓ Qualification window duration needed to be extended to allow shippers to comply with all formalities (financial guaranties, contract signing...). Network user feedback on the products has also been taken into account and has resulted in quarterly products being offered in 2013 for the first time.
 - ✓ If the VIP remains uncongested, shippers prefer to book capacity though a FCFS mechanism.
 - ✓ Since the participating TSOs and NRAs do not expect large quantities of capacity to be allocated via this method in 2013, the option for an IT platform to perform the auctions has not so far been considered to be justified from a cost-efficiency perspective.

3. First outcomes of the implementation process (Heather Glass, Violeta Bescos, ENTSOG)

Heather Glass and Violeta Bescos presented a summary of the progress made so far and the lessons learned on early implementation.

- By 2012, TSOs and NRAs started the discussion on development of early implementation projects in several different EU regions. By the end of 2012, the development of early implementation project intensified. By the future months an increasing pace of early implementation and convergence is expected, until the implementation of the code becomes mandatory and won't be covered anymore by the Roadmap in its current form (likely to happen during 2015).

- The main benefits early implementation implies is progress towards the internal energy market by 2014, opportunities to TSOs and NRAs to learn from experience and for NUs to benefit from standardization introduced by CAM NC before it becomes mandatory. Also, this early start facilitates full implementation of the NC by the mandatory deadline.
- The requirements for voluntary early implementation are that the provisions in the CAM NC are stable, especially with regards to auction algorithms, the ability of TSOs to devote resources to develop new solutions, the prompt update of national legislation and regulatory frameworks and the co-operation between NRAs and TSOs in order to find adequate solutions for the recovery of efficiently incurred costs. Strong support is needed from all parties if early implementation is to be successful.
- The Roadmap refers to convergence of projects, meaning the progress of existing projects towards meeting all CAM NC provisions, and an increase in the geographical scope of early implementation projects either by new TSOs or IPs joining existing projects or by new projects being established.
- The sharing of knowledge and experience on projects is important to allow progress towards the most effective solutions.
- Where the CAM NC does not prescribe a particular approach, a flexible approach is needed in order to allow development and testing of alternative solutions, particularly during the early implemented period.
- The CAM Roadmap and the new Europe-wide groups created aim to facilitate the early implementation process by engaging all stakeholders. ENTSOG, ACER, TSOs and NRAs hope these meetings will be an effective forum for transparency and stakeholder engagement. Stakeholders are encouraged to share their views on the Roadmap and on CAM implementation generally. The next step is to present concrete results and lessons learnt so far to the MF.

Clara Poletti pointed out that the progress so far on early implementation is successful. Any element that could hamper the results, and thus market competitiveness, can be discussed in future meetings if appropriate.

4. Questions & Answers Session

Shippers expressed some concern regarding the bundling arrangements, noting that they may reduce flexibility for network users. ENTSOG highlighted that this issue arises from the rules set out in the CAM NC and in national legislation. The pilot projects have developed methods to apply these rules.

Some participants expressed the view that the current bundling rules were inherently problematic, regardless of how they were implemented. Others indicated that they did not oppose mandatory bundling.

Participants asked whether as part of the CAM Roadmap process, the lessons learnt and the issues faced by pilot projects were being acknowledged. ACER replied that all issues encountered during this pilot phase were being noted and resolved as quickly as possible in order to keep the project on track. An overall list of issues with wider relevance is also being maintained by ACER and ENTSOG, in order to understand the critical points and share the experience gained within the pilot projects and for future projects.

It was noted that a number of network codes are currently under development and the timescales foreseen for implementation of their provisions are in general quite challenging (1 year in many cases). It is essential that where national regulations could create problems in meeting these deadlines, that this is recognized and addressed at an early stage. It was suggested that this could be on the agenda for the following EU Stakeholders Group meeting. ACER and ENTSOG encouraged network users to raise broader issues regarding CAM implementation (in particular) which would allow the development and maintenance of an issues list.

Several shippers asked whether a change process was foreseen for the CAM NC in the likely event that implementation efforts demonstrated the need for modifications. It was argued that comitology is a lengthy process and there are issues regarding its transparency, which mean that it is not ideal as a change process for network codes. EC and ACER responded that this issue is being considered internally.

Participants praised the implementation work that has taken place so far, and noted the benefits of this early work in enabling the early identification and resolution of issues.

Way forward

- **Issues list to be updated with the barriers for implementation discussed in the meeting.**
- **Interaction between CAM NC and other codes, and potential challenges presented by national legislation, to be included on agenda for next meeting.**
- **ENTSOG and ACER will coordinate to prepare the presentation for the next MF.**

5. Next meeting

It was agreed that the next meeting will be the 18th of September in Ljubljana (approx. from 13.00-16.00h).

It was requested the possibility of offering web streaming or that the meeting is a videoconference connected to Brussels. This will be arranged if possible.
