27 February 2009
Ref: 09GTE+061

Initial Ideas -

ENTSOG's Development and Consultation Processes

Contents

Consultation rationale

GTE+ is currently developing draft Statutes, Rules of Procedure and a potential list of members for ENTSOG.

The development and consultation processes that ENTSOG will employ must ensure that stakeholders actively participate in, and contribute to, the development processes.

The proposals in this document have been developed following discussion with many stakeholders and GTE+ values further feedback from stakeholders, the Commission and regulators.

GTE+ is mindful that many stakeholders are struggling to attend all European gas related events at the moment and to respond to all consultations. At this point of time GTE+ has not scheduled a Workshop on this subject but will meet with any stakeholder who wants to explore any issues associated with this document. Furthermore should stakeholders want to meet in groups or in a Workshop GTE+ would be pleased to arrange multi-lateral meetings or a Workshop.

GTE+ encourages feedback and would value both discussion and written feedback by 31 March 2009.

Please supply any feedback, or requests to meet GTE+, to Nigel Sisman (nigel.sisman@gie.eu) copied to gie@gie.eu .

Stakeholder feedback will inform refinements and developments.

It is anticipated that GTE+ will complete its internal governance processes to enable the publication of conclusions during the summer of 2009. These will then be used to develop the draft ENTSOG statutes and rules of procedure for wider consideration by the Commission, the regulators and wider stakeholders later in 2009.

Background

The Third Package Proposal

The Third Package[1] envisages a new framework to better enable progress towards liberalised and open European markets for gas and electricity.

Three new entities are envisaged: the Agency for the Cooperation of Energy Regulators (ACER) and the 2 European Networks of Transmission System Operators (ENTSOs). ENTSOs for each of the gas and electricity sector will be created: the ENTSOG for gas and the ENTSOE for electricity. The Agency has a primary role to further co-operation between the National Regulatory Authorities (the NRAs); each of the ENTSOs have a comparable role in respect of the relevant Transmission System Operators (TSOs*).*

The Third Package is still proceeding through its development in the Parliament and the Council. The precise split of responsibilities between the Commission, Agency and ENTSOG, is still to be decided. However it is clear that ENTSOG's role and responsibilities will include the delivery of:

- an annual work programme
- network codes potentially in any or all of the 11 areas outlined in the Commission's proposals
- a ten year network development statement every two years.

Current Third Package Proposal Status

The detail of the Third Package is still under discussion, with trialogue sessions as part of the Second Parliamentary reading ongoing.

A decision to implement the Third Package is anticipated during the second quarter of 2009.

Third Package Implementation Timescales & GTE+

The Agency, which can only be established after the Third Package has come into effect, must be created before ENTSOG. Thus the earliest ENTSOG could be created is likely to be early in 2011.

Transmission System Operators (TSOs) within Gas Transmission Europe (GTE) therefore decided to work towards creating the envisaged ENTSOG. This involved establishing a new workgroup GTE+ to start developing the concepts and formulation for the ENTSOG and to progress some critical areas during the transitional period until ENTSOG can be established.

---

[1] [**The EU Electricity & Gas markets:third legislative package September 2007**
http://ec.europa.eu/energy/gas/package_2007/index_en.htm

GTE+ published its First Consultation Document – Towards the European single gas market[2] in May 2008 and its GTE+'s First Consultation Process – Conclusions Document[3] in September 2008. That document defines GTE+ activity.

This document focuses on some aspects of the Organisational Development project; specifically initial views, following discussion with stakeholders, relating to ENTSOG consultation and development processes.

Organisational Development Project

Stakeholders and GTE+ share the view that the establishment of ENTSOG is critical to delivering progress towards the single European gas market. Even though the precise formulation cannot be confirmed until after the Third Package is agreed there is support for making early progress towards establishing the Statutes and Rules of Procedures for ENTSOG.

A critical element of this is to define the ENTSOG development and consultation processes. GTE+ seeks the involvement of stakeholders in both the development of those processes and in the operation of the processes once ENTSOG is established.

GTE+ presented its initial views on the network code development processes at the Madrid Forum on 6 November 2008[4].

This document builds upon the Madrid presentation providing more detail and an illustration of our early thoughts as to how the Annual Work Programme consultation and Ten Year Capacity Development Statement processes might be conducted.

---

[2] First_AWP_Consultation_document
[3] First_AWP_Consultation_Conclusions
[4] Organisational_Development_Presentation_for_Madrid_XV

ENTSOG's Development & Consultation Processes

Stakeholder Involvement Concept

The Third Package proposal describes roles and responsibilities for the Commission, Agency and ENTSOG.

The precise nature of stakeholder involvement is not explicitly defined in the proposals although, for example, the ENTSOG will be expected to conduct an extensive consultation process, at an early stage and in an open and transparent manner.

ENTSOG will have specific responsibilities defined under the Third Package (e.g. including delivering an annual work programme, network codes and a ten year capacity development statement). The responsibility for their delivery resides with the TSOs that will comprise ENTSOG. The processes to deliver on ENTSOG's obligations will therefore be a matter for ENTSOG's Statutes and Rules of Procedures.

Whilst the Third Package places these obligations on ENTSOG, they cannot be delivered by ENTSOG acting alone.

GTE+ and stakeholders agree that the collaboration of TSOs and stakeholders will be essential to deliver progress towards the single European gas market. It is therefore GTE+'s intention that stakeholders will be an integral part of the development processes associated with the delivery of many of the ENTSOG obligations.

For example GTE+ advocated at Madrid Forum XV on 6 November 2008 the Stakeholder Joint Working Session concept. GTE+ regards this as a key element of the network code development process. The "core group" of TSOs and stakeholders who will work within the SJWSs for each development will be essential to ensure timely and efficient development of codes. Collaborative working with a wide range of stakeholders will enhance the prospect of achieving balanced outcomes that fairly reflect the disparate views from stakeholders when ENTSOG has to write and propose a code.

GTE+ has formulated proposals for the development processes that will be ENTSOG's responsibility when the Third Package is implemented and would welcome feedback as part of this consultation process.

GTE+ would also welcome further discussions with the Commission and regulators to see how the ideas in this paper can be best integrated with approaches that Commission and regulators might use in their development and consultation processes.

Annual Work Programme

Background

The ENTSOG Annual Work Programme (AWP) process will interact with the Commission's priority setting process effectively defining a continuous cycle of interactions. The AWP will include, but will not be limited to, the Commissions priorities

The AWP will therefore identify priorities, direction and aspirations for codes, report development and other activities.

It is expected to provide detailed plans for the next year (year 1) and to provide a sketch of medium term activities (perhaps year 2 & 3) to provide context for the shorter term activities.

The precise timetable will need to be agreed and will need to be consistent with Commission's priority setting process timeline. A possible timeline could involve a consultation process starting in July, closing in September to allow ENTSOG's internal governance processes to confirm a plan during the fourth quarter of the year for the following calendar year (year 1).

The process is defined to ensure that stakeholders can influence the choice of activities and indicate their commitment to participate in ENTSOG's work.
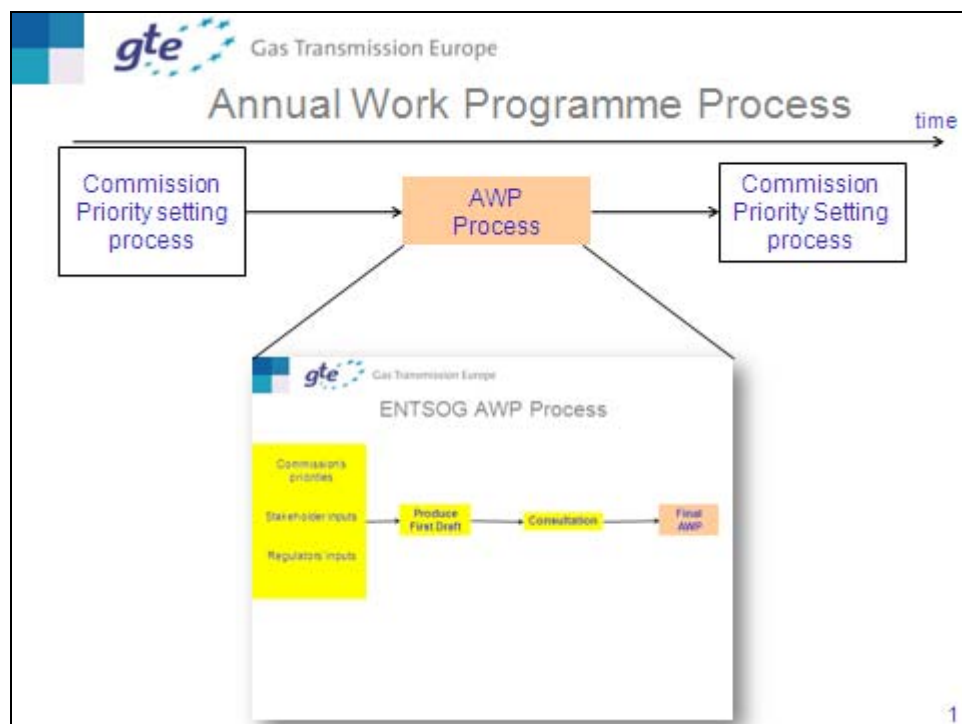
Process description

ENTSOG would anticipate that inputs would be received from the Commission, stakeholders, regulators and ENTSOG's own membership.

These inputs would be considered by ENTSOG in the context of its role, responsibilities, available resources and obligations. A first draft proposed AWP would provide the basis for consultation.
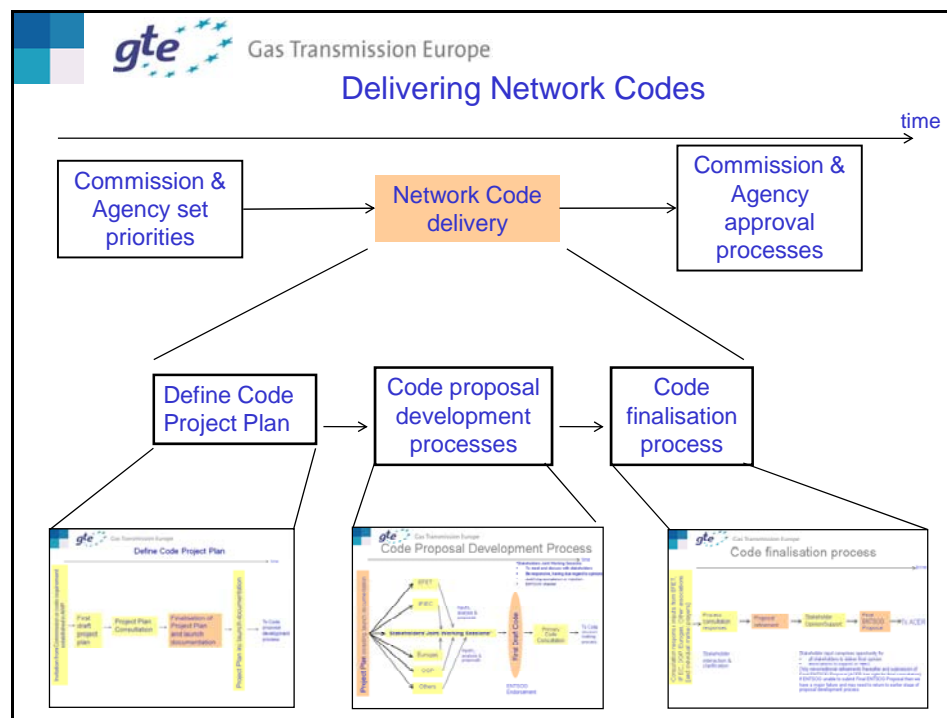
ENTSOG's commitment would be to consider responses, clarify understanding where necessary and then to produce the final AWP having taken due account of the consultation responses.
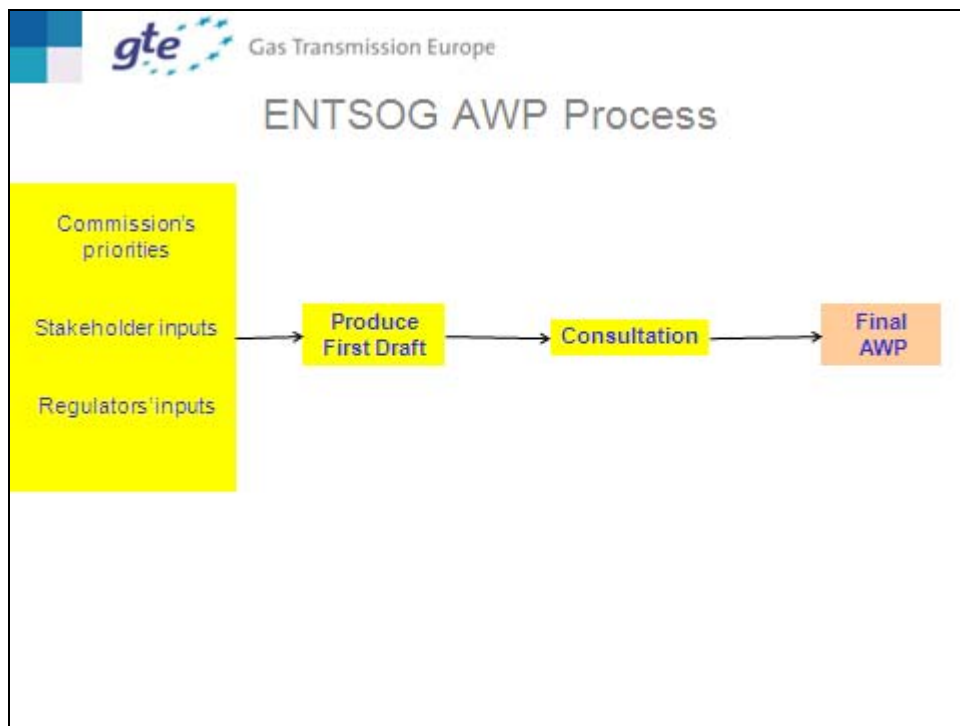
Network Code Development

Background

The delivery of European network codes may be best considered in three phases as GTE+ indicated at Madrid XV in the following slide:

The responsibility for the early stages of the process resides with the Commission and the Agency. The Commission will set priorities and the Agency will prepare framework guidelines. The Commission will issue an invitation to ENTSOG to develop the code.

The responsibility for developing the code lies with ENTSOG. The slides in this section illustrate how ENTSOG will conduct the process that will culminate in an ENTSOG proposal being sent to the Agency.

The responsibility for delivering the proposed code resides with ENTSOG and will be the subject of ENTSOG's internal governance arrangements but the process is designed to be inclusive and to ensure that stakeholder's ideas, opinions and proposals are given due consideration in the context on generating a fair and balanced proposal.

The final part lies with the Agency and Commission; the Agency being required to offer an opinion on the proposal, and to refer the code to ENTSOG if further refinement is sought, and the Commission who may trigger the comitology process to make the proposal binding.

GTE+ believes that after the initial implementation of codes revisions may subsequently be necessary. GTE+ maintains that similar processes that are envisaged to initiate the codes should be used to modify them and so the processes designed above should apply at the Commission's discretion but perhaps with shorter envisaged timescales in the event of straightforward changes.

Process description

The process involves three key stages:

- **Define code project plan**

  This enables stakeholder inputs to inform and shape the plan.

  The plan must establish a challenging but achievable aspiration for the code.

  The plan must confirm and/or define inputs to development activity. It is essential that the necessary resource commitments are appreciated. The development will have to be accomplished in a short time scale; the maximum allocated time of twelve months for the development of network codes is challenging.

- **Code proposal development process**

  This will dependent of achieving interactive and responsive development sessions attended by a sufficiently wide range of stakeholders and TSOs.

  This stage will culminate with ENTSOG's initial code proposal proceeding to consultation.

- **Code finalisation process**

  This will involve taking account of feedback raised in respect of the initial code proposal including refining the proposal (where considered appropriate in the context of ENTSOG's obligations).

  The finalisation process would then involve seeking the opinion of stakeholders (and specifically those Associations that are represented at the Madrid Forum) before ENTSOG delivers on its obligation: to deliver a draft network code to the Agency.

Each of these three stages is described in more detail in the presentation slides and accompanying text that follows.

Part 1 - Define Code Project Plan

The call for a particular Network Code development is most likely to have come from a Commission invitation and will be dependent on the Agency's delivery of a framework guideline. The activity should have been anticipated in the AWP although

its timing may be dependent on the timing of Agency's framework guideline and the Commission's deliberation upon its content.

A project plan is considered essential to provide a sound basis for the development activity and to manage this phase of the development.

The project plan would establish viability and indicate required resources. It would define clear objectives, identify necessary support material including relevant work already undertaken, detail assumptions and define timelines for development phases and milestones.

The plan must also provide a detailed description of resources required; particularly "core team requirements" including identification of individual participants (stakeholders and TSOs) and required commitments to do "pre-work" and to be responsive to intermediate deliverables in process.

This phase should also include the preparation of "launch material" – prepared material derived from stakeholder and ENTSOG member's material to ensure Stakeholder Joint Working Sessions can immediately start work and be productive.

The project plan is therefore a necessary investment to ensure robust ambition, commitment and confidence for the code development.

The key steps of this part of the process are illustrated in the attached presentation slide and explained below.
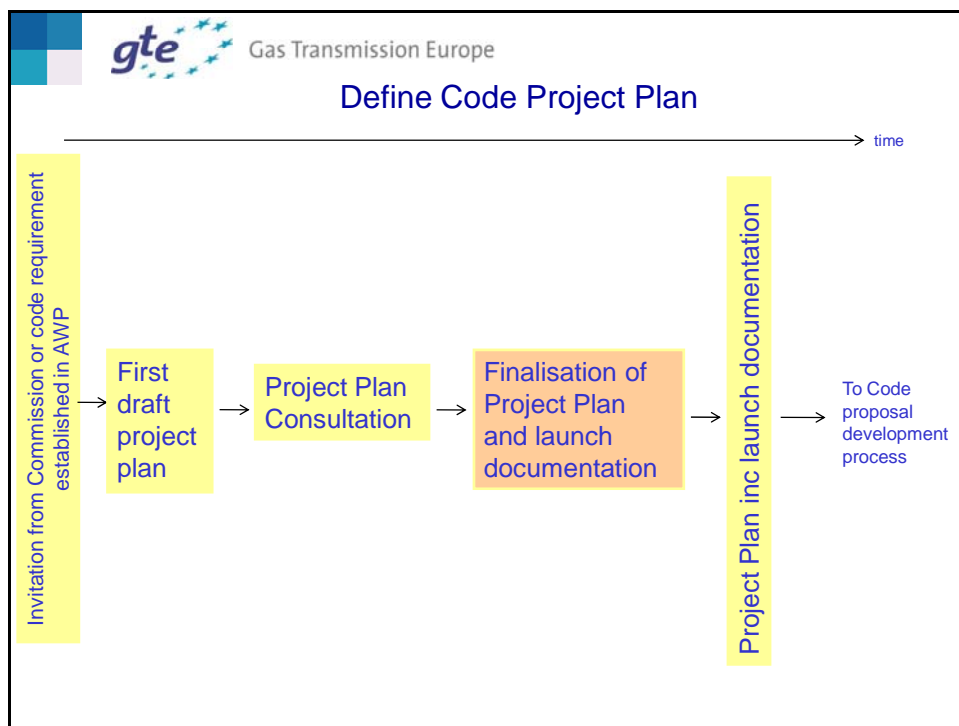
- **First draft project plan**

  This should build on stakeholder material and decisions from Commission priority setting process, the AWP and the Agency's framework guideline.

  TSOs and stakeholders would know of the development and so would be able to input their latest thinking at this stage.

- **Project Plan Consultation**

  A rapid and short consultation about plan (not the code itself) would be envisaged. This should be used to establish a robust and acceptable plan and to secure the necessary resource commitments including those of stakeholders.

  The plan should be used to confirm "core development team" participation. The success of the development process will depend on having adequate participation. It is envisaged that the core will comprise named individuals from individual stakeholders, Associations, TSOs and ENTSOG (as appropriate). The aspiration would be to have a strong, diverse team at the core of developments which would be complemented with "open access" for anyone else who might want to participate in the process.

- **Finalisation of Project Plan and launch documentation**

  This should take account of feedback whenever possible.

  ENTSOG's commitment to the developed Project Plan will be delivered by ENTSOG internal sign-off.

Part 2 - Code Proposal Development Process

The second phase, the code proposal development process, is illustrated in the presentation slide and described below.

- **Stakeholders' Joint Working Sessions**

  This is the cornerstone of this phase. The SJWSs are to enable efficient development and to make progress allowing for essential stakeholder involvement necessary to deliver in accordance with the project plan and its objectives.

  Each SJWS will require substantial commitment from relevant stakeholders: the development activity will be intensive necessitating the completion of both "pre-work" and "homework". It will require active collaboration to support, and work within, the SJWSs.

  The SJWSs will require a "way of working" that is conducive to making timely and efficient progress. The process will need to be collaborative and responsive, having due regard to opinions, positions and proposals expressed. It will be

essential that the custodian of the process, the ENTSOG Subject Manager (SM) who will chair the SJWS, justifies the acceptance or rejection of proposals made. The progress of the SJWSs will need to be captured and made transparent on an ongoing basis.
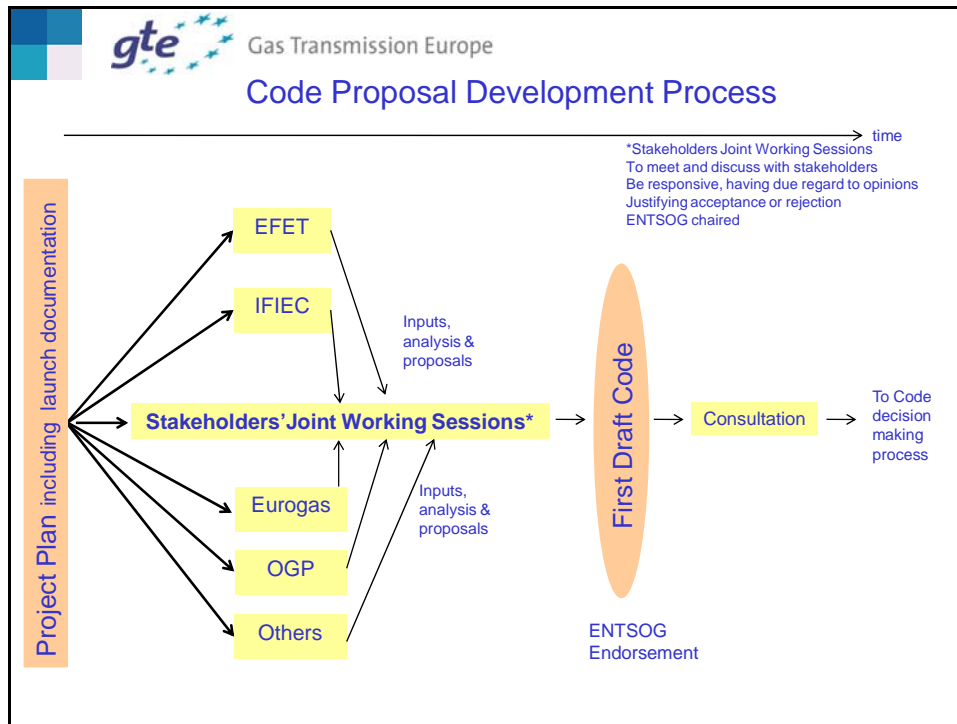
GTE+ envisages that a document defining expectations of all participants (the "way of working") will be supported by SJWS participants. The document would be aimed to encourage behaviours that are consistent with efficient and conciliatory progress.

The aspiration of the SJWSs should be to expose major challenges / differences and seek resolution at this early stage. Whilst it will not be credible to satisfy all aspirations under all circumstances the intention would be to justify acceptance or rejection and to seek agreement to move forward. The philosophy is to address issues as early as possible in the process and preferably before the formal code consultation stages.

The SJWSs should be open meetings that anyone can attend. However to ensure continuity a dedicated "core team" defined in the project plan is envisaged.

Transparency of the process would be assured by communication of all relevant material via website with e-mail alert services

The Agency/regulators would have the option to attend SJWSs.

The outputs of the SJWSs would be required to provide sufficient detail to enable writing of the code.

- **First draft code**

  ENTSOG has the obligation to produce the code.

  The first draft code will be developed in the context of SJWS outputs having due regard to opinions expressed in that phase of development.

  ENTSOG will therefore produce a document to include description of work and findings of SJWSs, key differences of opinions (if they have emerged), justifications and rationale for choices made in the proposal. The document will include draft code text that could be submitted to the Agency if no further changes arise from the consultation process.

- **Code Consultation**

  The document including the first draft code would be the subject of public consultation.

  This consultation document would be circulated to stakeholders on e-mail distribution lists (via e-mail alert services) and made available on the ENTSOG website and/or other communication platforms. ENTSOG would expect to contact any major and relevant players that it considered to be missing from SJWS process or e-mail subscriber lists.

  In assessing feedback ENTSOG commit to take into account all opinion expressed and to explain the rationale for acceptance and rejection of suggestions.

Part 3 – Code finalisation process

The third stage of the ENTSOG led part of the code development process is code finalisation which is illustrated below in the presentation slide and subsequently explained. This stage will enable delivery of a finalised draft code endorsed by the ENTSOG General Assembly upon which the Agency will offer an opinion.
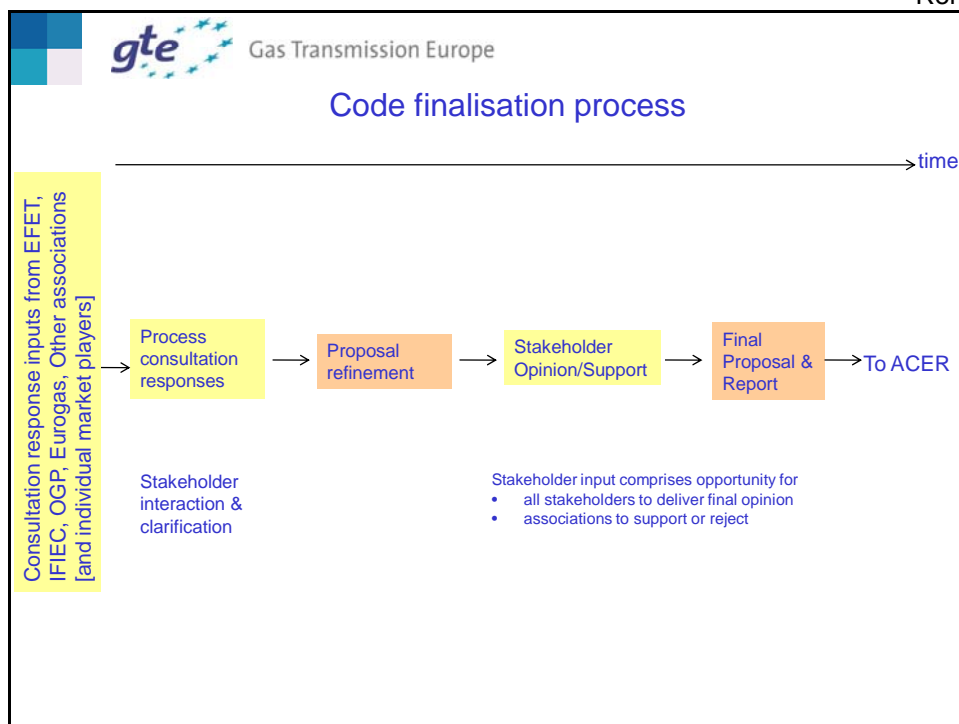
The presentation slide illustrates process steps to ensure stakeholder involvement in the code finalisation stages and to ensure that stakeholder views about the proposal inform ENTSOG's recommendation and the Agency's subsequent deliberations.

- **Process consultation responses**

  GTE+'s early experience of working with stakeholders has confirmed the value of dialogue to ensure full understanding of feedback submitted as response to consultations and to explore scope for refinement.

- **Proposal refinement**

  ENTSOG may refine the proposal in the light of feedback. Wherever practical it will seek to involve stakeholders in the refinement process.

- **Stakeholder opinion / support**

  Having produced a refined (where necessary) proposal ENTSOG will seek stakeholder opinion on the refined proposal. ENTSOG will request stakeholders to provide a rationale where they are not supportive.

  Associations participating in the Madrid Forum will be expected to respond to this request indicating support or rejection (with associated rationale) of the proposed code.

The opinions provided, together with support/rejection positions, will inform ENTSOG's final recommendation.

It is envisaged that only minor changes will be possible between refined and final proposals; to do otherwise would invalidate stakeholder opinions and Association support/reject views that will accompany ENTSOG's recommendation.

- Final Code Proposal (including report)

The final code proposal including recommended draft code text plus a report on the rationale underpinning the proposal and stakeholder (and Association opinions) will be supplied to the Agency.

This final code proposal will be delivered via the ENTSOG governance processes having been subject to governance arrangements of the ENTSOGs General Assembly.

Timeline for network code development

The following diagram and text illustrate potential timelines for the above three phases of the ENTSOG lead development activity associated with the delivery of the network codes.
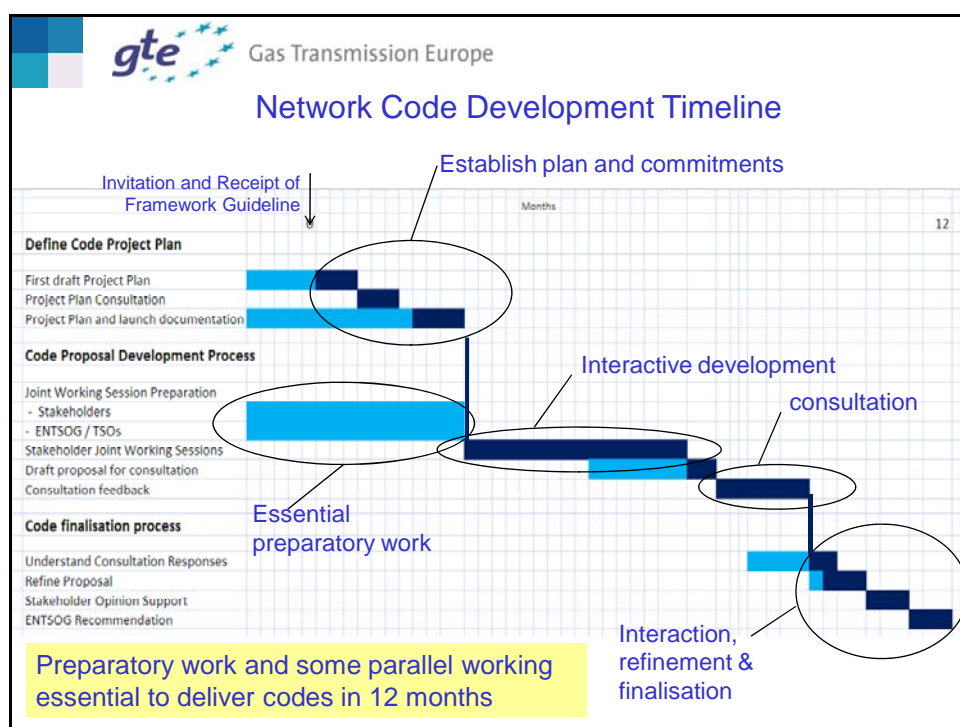
The Third Package proposal envisages 12 months as the maximum time permitted for ENTSOG to develop a code.

The critical path based on all envisaged process steps is clear in the above representation.

Timely delivery will require substantial "pre-work" to meet the timetable. The above schematic is indicative and confirms that substantial effort must start earlier than the formal Commission invitation to ensure timely delivery of a robust plan including robust launch information to ensure that SJWSs can be effective.

The above indicates that stakeholders and TSOs will need to be committed and engaged well before the "core group" is established in the development plan part of the process if the ambitious timeline is to be met for any substantial code.
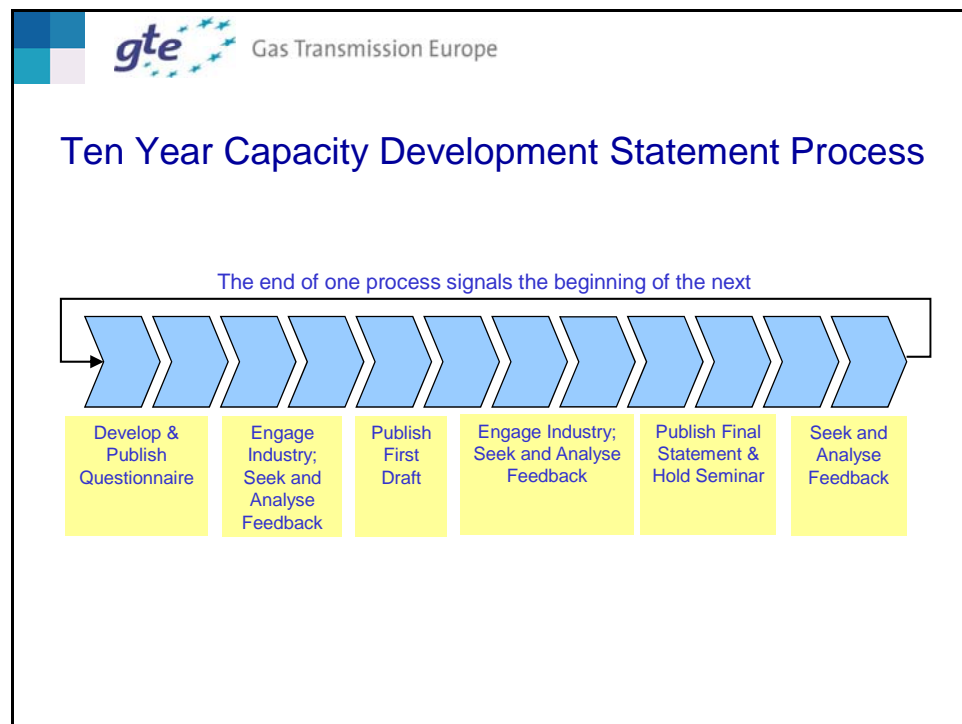
Ten Year Capacity Development Statement

Background

ENTSOG will be required to develop a Ten Year Capacity Development Statement (TYCDS) every two years.

The statement will allow the development of a European picture, and identify where additional capacity might better facilitate the development of the European Gas Market. The overall objective is to support the development of the European Gas Market.

The TYCDS will describe the foreseen developments of the European gas transmission capacities and analyse the ability of the European gas transmission network to meet the requirements of the European Gas Market. This assessment will require the development of European supply/demand scenarios; the process to develop the TYCDS will therefore require inputs from, and interaction with, stakeholders to define the scenarios.

The report will not form the basis of an investment plan for TSOs, but it may inform the debate on where new transportation capacity may be required to prevent bottlenecks in order that the necessary market planning mechanisms can follow. It is likely that the report will have the potential to be used as a means to allow potential required developments to be signalled to all parties at an early stage, and through this allow parties to have the ability to understand, identify and evaluate opportunities

gte Gas Transmission Europe

Ten Year Capacity Development Statement Process

The end of one process signals the beginning of the next

| Develop & Publish Questionnaire | Engage Industry; Seek and Analyse Feedback | Publish First Draft | Engage Industry; Seek and Analyse Feedback | Publish Final Statement & Hold Seminar | Seek and Analyse Feedback |

Process description

The document would be produced as part of a rolling process, with the publishing and presentation of each report representing the beginning of the new report cycle.

The value of the document will greatly depend on industry feedback .This feedback should ensure that the TYCDS is continuously improved and is developed in line with the changing European gas environment. This will be encouraged both formally as part of the workshops and seminars that will feature in the process and by nurturing a positive relationship with key associations and individual stakeholders.

- **Develop and publish questionnaire**

  The process begins with an analysis of feedback received based upon the last TYCDS document.

  This information should be used in the light of wider industry expertise and recent industry developments to design consultation questions and templates, which will then be sent out to industry.

- **Engage industry: initial engagement**

  Bi-lateral communications will form the cornerstone of this consultation process. The aim will be to allow feedback to be fully understood. It is anticipated that this will involve face to face meetings and presentations.

  ENTSOG will promote this consultation process. ENTSOG cannot develop the necessary scenarios on its own; stakeholders throughout Europe must be involved and would need to be briefed as to the benefits of their participation.

  The consultation processes should involve:

  Gas producers with potential deliveries to Europe
  Shippers
  Traders
  TSOs
  Storage Operators (GSE)
  LNG Facility Operators (GLE)
  Interconnector Operators (within Europe)
  Entry Facility Operators (those operating entry connections into the European grid).

  ENTSOG will then analyse responses to inform the development of the first draft report. This process will be interactive; further engagement with key stakeholders is anticipated to ensure a thorough consideration and understanding of stakeholder inputs to enable the synthesis of the first draft.

- **Publication of first draft**

  ENTSOGs interpretation and synthesis based on all received feedback will determine the first draft TYCDS. It is envisaged that this document will be published to enable further iteration with stakeholders. It is likely to include broad questions; perhaps seeking stakeholder views about the scenarios used in the draft.

- **Engage industry: consult on draft**

  The first draft TYCDS will define a composite view of the European picture. This consultation phase will enable feedback and stakeholder assessment of the draft and particularly the scenarios used in the draft.

- **Final Statement Publication**

  The final TYCDS would be informed by the results of the consultation. It is expected that a seminar would be held shortly after publication to facilitate public consideration of the document and an assessment of its implications. This event might include presentations / forecasts by other stakeholders.

The process would then repeat with the final TYCDS effectively providing the start point for the next cycle.