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GIE response to Commission's consultation

Establishment of the annual priority lists for the development of network codes and guidelines for 2015 and beyond

1 Who is GIE?

Gas Infrastructure Europe (GIE) is an association representing the sole interest of the infrastructure industry in the natural gas business such as Transmission System Operators, Storage System Operators and LNG Terminal Operators. GIE has currently 69 members in 25 European countries.

One of the objectives of GIE is to voice the views of its members vis-à-vis the European Commission, the regulators and other stakeholders. Its mission is to actively contribute to the construction of a single, sustainable and competitive gas market in Europe underpinned by a stable and predictable regulatory framework as well as by a sound investment climate.

2 Introduction

GIE welcomes the opportunity to answer to this public consultation. The priorities described in this document will be important for the achievement of an integrated, sustainable, competitive and secure European gas market.

Given the scope of GIE activities, GIE will only refer to section 1.2 "Tentative annual priority list 2015 regarding gas network rules" of the public consultation document and to section 2 "Annual priorities beyond 2015" of that document.

GIE considers that the public consultation document should explain more in detail the reasons and arguments which lead the Commission to propose the tentative annual priority list for 2015 and why they should contribute to the achievement of the European gas market. Additional explanations why these options have been chosen would be much appreciated and would help stakeholders to provide more valuable input.

3 Answers to consultation's document

3.1 Priorities for 2015

GIE welcomes the current focus on the completion of the **"Rules regarding harmonised transmission tariff structures"** and **"Rules regarding an EU-wide market-based approach on the allocation of 'new build' gas transmission capacity"**. These rules, together with the European Commission's rules on CMP, CAM, Balancing and Interoperability and data exchange will form an essential foundation for an effective Internal Gas Market.

The development of the Framework Guidelines and Network Code on transmission tariff structures is very complicated. GIE would like to stress that the Network Code will have impact on

Interconnection Points of TSOs with storage systems and LNG regasification terminals. As these activities are in competition with other sources of gas and flexibility, the rules that will be defined should not impact negatively the activities of storage or LNG. As regards storage, it ought to be noted that tariffs should be strictly cost reflective and moreover, it should be ensured that the benefits that the storage facilities can provide to the transmission system are duly taking into account when setting the tariffs.

ENTSOG should work in close cooperation with ACER, the Commission, Member States and stakeholders to ensure that an appropriate focus is maintained and that a robust and fit for purpose Network Code is delivered. On Tariffs the final impact assessment was delivered in April 2014 while the Framework Guideline was already adopted in Nov. 2013. This shows the need for more realistic planning assumptions for the development of FG and NCs as well as early and comprehensive elaboration of potential impact of the new rules envisaged so as to allow a coherent and meaningful discussion during the NC development.

The regulatory treatment of incremental capacity in Network Codes may have a strong interaction with the Tariffs and CAM Network Codes and therefore, it is essential to ensure that all developments are coherent, complementary and do not contain overlapping of conflicting provisions. GIE supports market based and demand driven identification of capacity and GIE is in favour of an economic test. Infrastructure operators will build new capacity if there is sufficient demand or commitment form National Regulatory Authorities, and a predictable regulation on revenues from network Tariffs. Network users need clarity on future capacity and future prices. At the same time, we would like to reiterate the need for efficient infrastructure development with a proper asset remuneration along its whole economical-technical life as well as the need to avoid stranded assets.

Regarding the **"Rules for trading related to technical and operational provisions of network access services and system balancing"**, as pointed out by ACER the an ad-hoc expert group concluded that there is no merit so far in developing such a FG. We agree that at this stage its potential contribution to the achievement of the Internal Gas Market remains unclear. Before introducing new rules, the results of ACERS`s monitoring task on implementing the existing NC should be evaluated and consulted with stakeholders. Based on these results a scoping discussion should be started regarding a FG on Trading Rules.

Particular caution should be made concerning the elements of the design of network access services or system balancing products. If necessary, the choice should be made at the light of experience gained from the CAM and Balancing Network Codes. Finally, ACER restarted a discussion on the adaption of the Gas Target Model. The priority list should elaborate whether there is any interaction and to which extent with the development of Network Codes.

3.2 Priorities beyond 2015

The design and implementation of Network Codes on CAM/CMP, Balancing, Interoperability and data exchange and Tariffs should form the basis of network access conditions to transmission system networks in a functioning Internal Gas Market. Indeed, "Network security and reliability rules" and "Operational procedures in emergency" are already dealt with extensively in the Security of Gas Supply Regulation No 994/2010/EU, and in existing CEN standards regarding technical security; "Network connection rules" are not an issue in gas markets, contrary to electricity; "Settlement rules" are already included in the Balancing Network Code; and "Energy efficiency regarding gas networks" does not impact the Internal Gas Market and is already dealt with in CEN standards.

It is likely that some provisions of the earlier Network Codes would need to be revisited in the light of early implementation or inclusion of incremental capacity (i.e. for CMP and CAM), as is the case in every Member State. GIE suggests that further work should concentrate on the implementation of Network Codes and on the monitoring and evaluation of the effectiveness of their measures for the Internal Gas Market.