

TWENTY-SIXTH MEETING OF THE
EUROPEAN GAS REGULATORY FORUM
15 – 16 October 2014

1. The Ukraine crisis and EU security of supply

Ukraine crisis: State of play

The Forum invites Member States and Regulators – including the Gas Coordination Group – to continue to closely monitor the gas supply situation in the Ukraine and its effects on gas flows to Europe. Such coordinated effort, including exchanges with stakeholders, is an important element to ensure gas supplies to European consumers continue without interruption in the coming winter season.

Security of Supply Strategy

The Forum takes note of the Commission's Stress Test Communication which underlines that some countries would be experiencing significant shortfalls in the case of a Russian gas supply or Ukrainian transit disruption in the coming winter. However, the exposure of Member States and Energy Community Contracting Parties could be significantly reduced with coordination and cooperation alongside proportionate and effective national measures. The Forum also takes note of the Commission's report on the implementation of the Security of Gas Supply Regulation. It agrees that while the EU's overall exposure to security of supply risks has reduced since 2009, there are still important challenges to be tackled. Madrid Forum stakeholders are ready to work together with the Commission should it choose to propose amendments to the Security of Gas Supply Regulation.

Energy Union concept

The Forum acknowledges the different competitive conditions on European gas markets that led to the Polish proposal of an Energy Union. The Forum notes that the pillars of such an Energy Union are the completion of the internal market and source diversification but considers that further reflection is needed on other aspects notably possible voluntary joint purchasing mechanisms. The Forum takes note that the Commission may come forward with details of its concept of the Energy Union in the course of next year.

Winter scenarios

The Forum welcomes the work undertaken by ENTSOG – based also on Member State data – on the winter scenarios which has also been an important analytical element of the Commission's stress test work. The Forum encourages ENTSOG to develop a common structured approach with ENTSO-E in assessing the impact of supply interruptions.

The role of storage in Security of Supply

The Forum notes the strategic role storage can play for EU security of supply and the current historically high levels of storage. The Forum also notes the beneficial role that the GSE storage platform has played in providing transparency.

The Forum takes note of the work done by CEER in assessing the current role of storage to safeguard security of gas supply and encourages Madrid Forum participants to take part in CEER's forthcoming consultation which will also include flexibility measures in a broader sense. The Forum also takes notes that the Commission is launching an in-depth study into the strategic role of storage. The Forum invites the Commission and CEER to report back to the next Madrid Forum.

The role of LNG in Security of Supply

The Forum stresses the strategic role LNG can play for EU security of supply notably through the diversification of gas sources. The Forum insists on the priority of market-based measures and that transparent and non-discriminatory access to LNG terminals must be maintained in order to safeguard the crucial optionality LNG regasification terminals provide to the European gas supply system. The Forum encourages further initiatives by market participants on the strategic role of LNG for Europe in the short to mid-term

2. Completing the EU internal energy market

The 2014 Internal Energy Market Communication

The Forum takes note of the Commission's Communication on the Internal Energy Market. It acknowledges that despite the significant progress achieved, much still needs to be done to achieve an Internal Energy Market not only as regards the construction of infrastructures but also in using existing infrastructure more efficiently, with a focus on ending energy isolation and removing bottlenecks. The Forum underlines the key role that an integrated gas market can play in ensuring a high level of security of supply, as well as improving EU's global competitiveness which remains an essential target requiring continuous price monitoring. A strengthened regional approach as well as consumers playing a more active role can contribute to achieving an internal market.

Energy regulation – strategic outlook

The Forum takes note of the work of ACER both in drawing up its Bridge to 2025 paper on tackling challenges in the electricity and gas sector, the interaction of the two sectors, and the revised gas target model. The Forum encourages ACER and CEER to develop concrete implementation action plans soliciting full engagement of Member States, consumers and other stakeholders, TSOs and the Commission. These plans should identify particular opportunities and threats to the implementation of further market integration with a view to reinforcing the former and overcoming the latter. The Forum recalls that the completion of the internal energy market requires a common approach recognizing the current different starting points in the various regions.

Infrastructure – Cross-border cost allocation – lessons learnt/next steps

The Forum calls upon the Commission, ACER and the NRAs to provide further detail on the guidance regarding cross-border cost allocation decisions. The Forum acknowledges that a proper cost-allocation based on a high quality CBA, is essential to determine correctly a fair burden-sharing and the need for public financing. The Forum calls upon ACER, NRAs and ENTSOG to establish together with the Commission the lessons learnt from the first call under the CEF. For ACER, NRAs and ENTSOG this means respectively improving the methodology for the CBCA and the cost-benefit analysis.

Infrastructure – cost benefit analysis – implementation and preparation of 2nd PCI list

The Forum encourages ENTSOG to apply the adapted CBA methodology for the ongoing TYNDP process in order to allow, among others, an objective and consistent evaluation of the proposed PCIs by Regional Groups and the Commission. At the same time, the Forum notes the important role of ACER and the NRAs in ensuring consistent application of this methodology across the Regional Groups.

3. Regional Initiatives and Implementation of Network Codes and Guidelines

Progress in Regional Initiatives and their future

The Forum takes note of the continued efforts undertaken in the Gas Regional Initiatives on market integration and early implementation of network codes. At the same time the Forum notes that in certain instances formal regional work may already be overshadowed by broader EU-level cooperation. In other cases regional work remains the most effective form of cooperation. The Forum invites the Commission and ACER to ensure that a possible new geographical set up of the gas regions, which includes also Energy Community Contracting Parties, guarantees the necessary cooperation and flexibility for the regions. Stakeholders are invited to participate in the exercise of structuring regional groupings.

Progress on market integration in the Energy Community

The Forum welcomes the discussion within the Energy Community on its future. The Forum embraces the proposals of the High Level Reflection Group Report as well as the conclusions of the Energy Community Gas Forum in Ljubljana on the need for closer cooperation between the Ljubljana Forum and the Madrid Forum.

Congestion management and transparency guidelines

The Forum welcomes the launch of the renewed ENTSOG transparency platform but notes that compliance by TSOs with existing transparency guidelines is not fully achieved. The Forum continues to insist that ENTSOG and TSOs must achieve this compliance under their legal obligations – including the hourly publishing of system imbalance information and including flow data updated in near real time – within the shortest timeframe possible. It remains the primary responsibility of ENTSOG to highlight non-compliance on which basis NRAs, ACER or Commission may take appropriate action. The Forum invites ENTSOG to assess whether and to what extent the transparency platform could be made available and used for the publication of inside information more generally.

The Forum takes note of the Commission's interpretative note for the better implementation of the CMP Guidelines. The Forum notes that full implementation of the CMP is still outstanding and asks TSOs, NRAs, with the cooperation of ENTSOG, ACER and the guidance of the Commission to ensure full compliance with applicable rules in an expedited manner, in particular with regard to coordinated cross-border implementation.

Capacity Allocation Mechanisms Network Code – Implementation progress

The Forum welcomes NRAs' and TSOs' efforts in the early implementation of the CAM Network Code and encourages further work with a view to the approaching binding implementation date of 1 November 2015.

The Forum encourages further progress on implementing the PRISMA primary and secondary booking platform as well as the RBP and GSA platforms. The Forum calls on the Platform Operators, NRAs, TSOs, ACER and ENTSOG to ensure that the joint web-based booking platform(s) facilitate and simplify capacity booking at IPs across the Union for the benefit of network users.

The Forum invites ENTSOG and EFET to continue their work, in collaboration with ACER and the Commission, to analyze the challenges stemming from different capacity product terms and conditions across borders and urges them to come forward with proposals for possible harmonization as necessary.

Balancing Network Code– Implementation progress

The Forum considers the implementation of the Balancing Network Code as an important step towards completing the Internal Energy Market as it will foster the development of short term gas markets, provide price signals as well as contribute to the development of a competitive and efficient gas wholesale market. The Forum underlines the relevance of early implementation of the Balancing Network Code and strongly urges ENTSOG and ACER to follow up the implementation by addressing potential issues, promoting the exchange of best practices at national level and supporting cross-border cooperation in the relevant areas. The Forum urges NRAs, TSOs and Member States to work towards a complete, coordinated and consistent implementation of the Balancing Network Code. The Forum welcomes ENTSOGs initiatives to share best practices and knowledge with the Energy Community.

4. Network Code Development and standardization work

Network Code on Tariffs

The Forum acknowledges the work and extensive consultation done by ENTSOG to develop the network code. The Forum takes note of ACER's concerns regarding the compliance of the network code with the Framework Guidelines as well as the significant debate still underway around key aspects of the network code and encourages ACER and ENTSOG and the Commission to closely cooperate on the finalization of the network code, considering legitimate concerns and interests of all stakeholders with the goal of enabling ACER to recommend the draft network code for adoption. The Forum continues to emphasize the need for a robust impact assessment underpinning the policy options and encourages all stakeholders and ENTSOG to provide evidence to underpin their stand point.

Incremental capacity (NC CAM amendment)

The Forum takes note of the work of ENTSOG in developing the incremental and new capacity amendment to the network code CAM and urges ENTSOG, ACER as well as the Commission to work together to resolve key open issues, having regard to the views put forward by stakeholders in the consultation.

Standardization of gas quality

The Forum encourages CEN to continue to aim for the adoption of a gas quality standard that reflects the outcomes of the public inquiry and that takes into account the need to come to a balance of interests of stakeholders as well as the need to ensure a safe transition to a new standard inter alia by means of gradual implementation.

The gas quality standard must never impede safety of gas appliances and operations of end users.