

Conclusions of the
16th meeting of the European Gas Regulatory Forum
Madrid, 28 • 29 May 2009

DAY 1

1. 3rd package - agreement and way forward

1. The Forum welcomed the presentation of the Commission and congratulated the Council and the European Parliament with the agreement on the 3rd package, and welcomed the Council's goal to adopt the package still under the Czech Presidency. It also hoped the Council would decide as soon as possible on the seat of the Agency.
2. ERGEG and GTE+ presented their work so far on the implementation of the third package, focusing on the preparation of the development of framework guidelines and network codes. The Forum welcomed the work of both organisations, and agreed that it is important to start preparing the development of framework guidelines and network codes already now. Both organisations also presented the planned work in the future and the priorities on which they like to work.
3. The Forum agreed that in order to progress on framework guidelines and network codes it is best to start working on a first framework guideline and network code to establish the process. The Forum therefore asked ERGEG to work on the development of a framework guideline and subsequently GTE+ to work on a network code replicating the procedure in the new Gas Regulation, including the rules on consultations and transparency. The Commission encouraged all other stakeholders to participate in the process. The stakeholders agreed to this approach and committed to cooperate, and encouraged ERGEG and GTE+ to fully involve all other stakeholders in a transparent process.
4. The Commission invited all stakeholders to submit their views on priorities for further framework guidelines and codes to the Commission. The Forum stated the importance of its continued involvement in the identification of the priorities to be set by the Commission, as well as in the process to develop framework guidelines and network codes.
5. The Forum recognised the work of GTE+ and ERGEG to prepare the 10 year network development plans. Many stakeholders addressed the importance of a transparent process to identify the need for new investments with respect of confidential information, and stressed that it should not be made binding.
6. GTE asked that TSOs be allowed to take into account the additional costs of the increased cooperation in GTE+ to work on the preparation of the network code in the revenues of TSOs that national regulatory authorities have to approve. The Commission stated that this is an obligation in the 3rd package and that it is appropriate that this applies for the preparatory work of the TSOs in the framework of GTE+.

7. The Forum recognised the value of the work of EASEE-gas for the future development of network codes. EASEE-gas asked the Forum to consider how Common Business Practices can be used in the future work to develop network codes.

2. LNG • results of consultation on DG TREN's policy paper

8. The Forum took note of the Commission presentation on ongoing developments regarding the 3rd Package framework for LNG and the responses received to the DG TREN draft discussion paper on LNG.
9. The Forum took note of the outcome of the workshop on LNG held on 13 March 2009 in Bilbao. This workshop was organised by GLE together with the Commission as a follow-up to DG TREN's draft discussion paper on LNG presented to the last Forum. Participants thanked GLE for their effort in organizing this useful event.
10. GLE presented in detail the conclusions of the Bilbao workshop. GLE, EFET and Eurogas reported on their planning regarding their activities as agreed in Bilbao to assess access regimes and market relevant convergence of LSO services. The Forum underlined the importance of GLE's, EFET and Eurogas work in this area as agreed in Bilbao and underlined the importance of progress in view of the findings of the ERGEG monitoring report on GGPLNG. The first results will be presented in the next Madrid Forum.
11. ERGEG presented the findings from their monitoring report on the GGPLNG. Stakeholders thanked ERGEG for this comprehensive exercise which delivered a number of important conclusions on tariffs, TPA services and in particular on CAM, CMP and anti-hoarding mechanisms which have to be discussed thoroughly in the run-up to the next Madrid Forum. The proposed study on CMP and anti-hoarding rules (incl. common definition and principles regarding notification periods) has become even more relevant in view of the findings of the ERGEG monitoring report on GGPLNG. ERGEG will present their study findings to the next Madrid Forum.
12. The Forum agreed that these conclusions are crucial for enforcing consistently European wide regulatory regime across European terminals in the framework of the implementation of the 3rd IEM Package. Stakeholders welcomed the fact that most of the findings of the monitoring report were fully consistent with the activities agreed at the Bilbao workshop underlining the mutually reinforcing character of both streams of work. Stakeholders were invited to provide their detailed comments on the ERGEG monitoring report before the next Madrid Forum.

3. Transparency • Proposal to amend chapter 3 of the Annex of Regulation 1775/2005

13. The Forum welcomes the Commission's draft proposal of new transparency guidelines. The stakeholders agree that this new draft is an important step forward in improving transparency of

the network, thus contributing to the creation of a level playing field. The Forum stresses that the draft transparency guidelines are also important for the security of gas supply.

14. The different stakeholders are invited to submit to the Commission their views on the draft proposal by no later than the end of June. The Commission will then consider how to take the various remarks into account in the final proposal, and it will ensure that this takes place in a transparent process. The Commission plans to take the draft transparency guidelines forward in view of the adoption later this year.
15. The Forum encourages all TSOs to participate in the GTE+ transparency platform or at least to make the information available on the TSOs website, and invites ERGEG to monitor the participation by TSOs and to report to the next Forum. The Forum also invites National Regulatory Authorities to promote participation of TSOs in the platform.
16. The Forum congratulates the Northwest regional initiative, in particular the regulators, TSOs, network users and consumers with the progress realised within the GRI NW transparency project. The Forum encourages TSOs in the region to bring forward proposals for further transparency. The Forum also acknowledges the importance of the agreement, in the NW region, for implementing enhanced transparency for gas storage by the end of the year, thus addressing security of supply concerns. The Forum asks other Storage System Operators to join this initiative to implement the transparency requirements of the 3rd package.

4. Transparency & Trading

17. The Forum welcomed the presentation by ERGEG on the context and results of CESR/ERGEG Advice delivered on trading transparency and market abuse. The Commission and stakeholders thanked ERGEG for the major efforts undertaken to jointly elaborate with CESR such high quality advice. The Forum thanked EFET for their presentation and active involvement in the process. OGP also expressed their engagement in the process.
18. Stakeholders recognised the need for the Madrid Forum to be closely involved in ongoing activities in this area considering that gas market specific issues will have to be addressed once the general level of ambition and architecture of a European framework for energy wholesale trading transparency and market integrity will have been determined.
19. The Forum took note of the report provided by the Commission on the first workshop on trading transparency held on 15 May 2009 in Brussels as a follow-up to the Florence Forum. Stakeholders agreed to take the work in this area forward in the framework of dedicated ad-hoc workshops to be jointly organised by the Commission, ERGEG and stakeholders. Such flexible working arrangements without formal mandate are necessary at this stage in order to involve where necessary stakeholders and institutions from outside the established Madrid and Florence Forums framework. The Commission underlined its continued interest in closely working with ERGEG/CESR in this area.

DAY 2

6. Capacity allocation and Congestion Management • Monitoring results & proposal for new measures

20. The Forum acknowledges that contractual congestion is a major barrier to the completion of the internal market and that this should therefore be addressed as a priority. The Forum welcomes the ERGEG principles with the proposed guidelines, in particular with their view to balancing the interests of existing shippers against newcomers, the need for increased flexibility in the gas networks to provide back-up to electricity generation through windmills, as well as long-term supply obligations against short-term trading opportunities. The Forum agreed that ERGEG's paper addresses the right issues.
21. The Forum invites ERGEG to finalise this work, taking into account all comments received from stakeholders.
22. The Forum welcomes the work by GTE+ and invites ERGEG and GTE+ to actively coordinate their work on capacity allocation and congestion management, in line with the needs of the market.
23. The Forum discussed the priorities for framework guidelines and network codes, and which priority should be used to develop the first framework guideline and network code. ERGEG presented the 4 priorities it identified based on the consultation of stakeholders, which included transparency, tariffs, balancing and capacity. ERGEG stated its preference for balancing as the first project, but stated it is also possible to develop the first framework guideline for capacity. Eurogas stated its preference for balancing, whereas OGP stated its preference for capacity. EFET stated that it prefers a rapid solution for issues that can be solved quickly, and some of the issues in the capacity document by ERGEG are suitable for direct action. GTE+ stated that it preferred to work on capacity, but it urged the Commission to identify a clearly defined and demarcated issue.
24. The Commission concluded that the most suitable topic would be capacity allocation and congestion management, also for practical reasons related to the process, and that the first framework guideline should be based on the work by ERGEG presented. It stated that in the coming weeks it will discuss with ERGEG, GTE+ and all other stakeholders in order to frame further this topic.
25. The Forum therefore invites ERGEG to employ the procedures foreseen under the third package and to report on progress in the drafting of a framework guideline on the topic of capacity allocation and congestion management to be presented at the next forum.
26. ERGEG and GTE+ will then be invited to further employ the procedures foreseen under the third package and to use such provisions from the final ERGEG paper requiring TSO cooperation or joint TSO action as the starting point for respective network codes, to be drafted in the interim period before the entry into force of the third package and to be continued thereafter, if necessary.

27. At the request of the Forum, the Commission accepted to draft swiftly a note on the process to develop framework guidelines and network codes taking into account the input of ERGEG and GTE+, in particular focusing on the interim period before the provisions of the third package will apply, as well as the priorities, the timing and the involvement of Member States in the process.
28. ERGEG invited the Commission to propose certain elements of the document they presented for comitology directly.
29. The Commission also asked Member States to inform it by the end of August on all currently designated TSOs on their territory, so as to prepare the creation of a European Network of TSOs.

7. Storage • Congestion Management and Capacity Allocation & Criteria to determine access regime to storage

30. The Forum welcomes the overview of access regimes in different Member States and takes note of its presentation on criteria that determine access to storage as presented by ERGEG and the presentation of the papers on capacity allocation and congestion management and the paper on access criteria as presented by GSE. They will be used as input for the Interpretative Note that the Commission will prepare regarding access to storage facilities, following the adoption of the 3rd package. GSE expressed its preference for market based access rules for storage. Eurogas stated that access regimes are important but that investments in new storage are at least equally important for the EU gas market.
31. ERGEG presented its ongoing joint work with GSE to prepare an assessment report on access to storage.
32. GSE's initiative to update the gas storage transparency website on a daily basis was greatly appreciated by the Forum. This is an important part of the implementation of the 3rd package and beneficial to competition and security of supply. The Forum urged all SSOs in the EU to cooperate with GSE to make the transparency website as complete as possible.
33. The Commission also asked all Member States to inform the Commission, by the end of August, on all designated SSOs on their territory, so as to allow GSE to have a full overview of storage facilities in the EU that are relevant for their database.

8. Gas Regional Initiatives • Update and Progress

34. The Forum welcomes the creation of the new ERGEG working group dedicated to the regional initiatives. It considers that a better coordination of vertical issues will enhance the overall RI-process.
35. The Forum thanks ERGEG for the work done and the process achieved in the regions; however, the Forum also stresses the need for unconditional support and involvement of the various stakeholders, especially the TSOs and governments.

36. The Forum welcomes the European Commission's study on the regional initiatives. The Commission calls upon all stakeholders to work together with the consultant in a constructive manner with the aim of presenting the first results of the study at the Regional Initiatives Conference later this year.
37. Cefic, EFET, Eurelectric, Geode and IFIEC presented a statement to the Forum on the promotion of regional cooperation, focusing on the implementation of Article 7 of the Gas Directive to be adopted. The Forum endorsed the steps stated in the letter to achieve regional competitive gas markets. The Forum invited to be informed on progress in the regional initiatives and better regional coordination at the next Forum.
38. The Forum took note of EFET's presentation, supported Cefic, Eurelectric, Geode and IFIEC on stakeholders' views on regional integration.

11. World Forum of Energy Regulation

39. The Forum thanks the CEER and RAE for the preparatory work in organising the 4th World Forum of Energy Regulation, which takes place from 18-21 October 2009 in Athens. The Forum welcomes this unique opportunity for the global regulatory community to exchange practices and experiences and to debate issues such as security of supply and infrastructure investments; the regulatory approach to climate change; LNG and the global gas market; the relationship between financial and energy markets and the implications of the global financial downturn.