

Conclusions of the
18th meeting of the European Gas Regulatory Forum
Madrid, 27 • 28 September 2010

DAY 1

1. 3rd package • Transposition and Implementation

- (1) The Forum welcomes the information provided by the Commission on transposition and implementation of the Third package. The Forum stresses the importance of full, consistent, and timely implementation and encourages the Commission to continue to accompany Member States and system operators in the course of this process. The Commission will in the coming weeks invite Member States to an information session on planning and procedures for the adoption of framework guidelines and network codes under the third package.
- (2) The Forum takes note of the Commission's invitation to ERGEG to provide it by the end of the year with an overview per Member State of the "transit contracts" which are still in force, together with a proposal as to how these contracts will be brought in line with the provisions of EU law.
- (3) The Forum welcomes the Commission's presentation on the envisaged process and indicative priorities for network code developments. The Commission asks all Forum participants for comments within the next weeks. The Forum supports the work of the planning group on the 3-year plan for framework guidelines and network codes and considers it of value in giving stakeholders a better view on the future work program, in particular the timing when stakeholders will be consulted on various guidelines and codes.
- (4) The Forum invites the Commission and the regulators to explore, in close cooperation with system operators and other stakeholders, the interaction and interdependence of all relevant areas for network codes and to initiate a process establishing a gas market target model. The regulators are ready to chair this process, and to present by end 2010 an outline on the definition and the scope of the model to be developed.
- (5) The Forum welcomes the efforts by ENTSOG, GSE, and GLE aimed at ensuring full Third package compliance by their respective members on 3 March 2011, and calls upon TSOs to ensure that all transitional arrangements are made in time to facilitate the application of entry-exit principles in all Member States. The Forum invites the regulators to monitor the implementation of Regulation (EC) No 715/2009, with a particular focus on compliance with transparency provisions.
- (6) The Forum congratulates the Director of ACER for his appointment and thanks him for the information provided on the establishment of the Agency. The Forum wishes him much success.

2. Security of Gas Supply Regulation

- (7) The Forum welcomes the adoption of the Security of Supply Regulation in view of ensuring the necessary preparedness by Member States and adequate crisis management at regional and EU level in case of emergency.

3. Infrastructure Investment

- (8) The Forum appreciates the study ERGEG commissioned on a model-based analysis of infrastructure projects and market integration in Europe with a special focus on security of supply. The study • within the constraints of modelling - presents a valuable tool on how to assess the existing gas infrastructure and the impacts of planned infrastructure on the gas market, and furthermore provides a useful analysis of potential bottlenecks in the reference year 2019.
- (9) The Forum welcomes the recommendation provided by ERGEG on the first ENTSOG Ten Year Network Development Plan; ENTSOG will take the regulators' feedback into due account in developing the TYNDP further.
- (10) The Forum welcomes ENTSOG's work on the TYNDP and the progress made. It calls on ENTSOG to present the second edition in January 2011, taking into account ERGEG's feedback.
- (11) The Commission presented the principles of the upcoming Energy Infrastructure Package and will possibly organise a workshop once the EIP communication will have been adopted.

DAY 2

5. Capacity Allocation Mechanisms • final framework guideline and first thoughts on network code

- (12)The Forum welcomes the framework guideline presented by ERGEG and ENTSOG's initial ideas on a subsequent network code. The Forum thanks the Commission for its analysis and the respective conclusions.
- (13)The Forum invites ERGEG to aim for a higher degree of harmonisation, taking full account of the comments from the Commission and from the stakeholders. The Forum invites ERGEG to examine in more depth the consequences which a transition to hub-to-hub capacity contracts will have for existing capacity and supply contracts and that ERGEG propose a transitional solution. The Forum encourages ERGEG to examine how a uniform market based capacity allocation mechanism, i.e. auctions, can be introduced without need for individual or bilaterally agreed decisions by national regulators.
- (14)France expressed a reservation concerning the generalisation of capacity allocation by auctions and mandatory hub to hub trading.
- (15)The Forum invites ENTSOG to prepare drafting the pilot network code on capacity allocation mechanisms based on the existing ERGEG work and the Commission's analysis.
- (16)The Forum invites ERGEG and ENTSOG to continue their cooperation on the pilot framework guideline and pilot network code and to closely involve stakeholders. The experiences gained shall be used to ensure an efficient process in the future.

6. Gas Quality • cost benefit analysis

- (17)The Forum welcomes the presentation given by GL on the state of play of the cost benefit analysis and encourages stakeholders to participate in the project.

7. Implementation of common business practices

- (18)The Forum welcomes the presentation from EASEE-gas and encourages the further implementation of common business practises.

8. Congestion Management Procedures • proposal by the Commission to amend chapter 2 of Annex I of Regulation (EC) N° 715/2009

- (19)The Forum concludes that action to address contractual congestion is needed and welcomes the Commission's proposal on congestion management procedures even though some elements of the Commission's draft need to be considered further, such as the modification of re-nomination rights. The Forum agrees that enhanced, harmonised, and coordinated congestion management procedures will foster the implementation of the internal market.

(20) In order to take duly into account individual concerns, the Commission invites stakeholders to submit to the Commission their views on the draft proposal on the basis of questions to be published by the Commission. 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 congestion management guidelines forward in view of their adoption next year.

9. LNG • Capacity allocation and congestion management

(21) The Forum welcomes the work done by ERGEG and GLE. Flexible access to LNG regasification terminals remains an important prerequisite to competition on the European and the global LNG market. The regulators will consider in the light of its consultation whether LNG guidelines should be developed and report back to the Forum.

10. Market-based Balancing - Framework Guideline

(22) The Forum thanks ERGEG for the work done on the draft pilot framework guideline on balancing and invites stakeholders to take part in the ongoing public consultation. The Forum invites ERGEG to continue its work in the interim period to develop input to framework guidelines on balancing

(23) The Forum stresses that the framework guideline should lay out the prerequisites to be met in order for the future balancing network code not only to provide for market based balancing rules, but also to serve as the basis for enhancement in cross border trade of gas and potentially for the creation of cross border balancing zones.

(24) The Forum takes note of the common position on gas balancing rules from the seven stakeholders.

11. Market Integrity framework and transparency

(25) The Commission reported on the status of its initiative for the integrity and transparency of traded energy markets and welcomed the valuable input it received from stakeholders. The Forum welcomes the Commission's update and confirms its support to a timely development of a sector specific legal proposal.

(26) The Forum underlines the need for a complete set of fundamental data to facilitate efficient trading decisions and to create a level playing field for market participants. The Forum welcomes that ERGEG is going to test the market's need for further transparency requirements atop the existing data provisions. The Forum invites the regulators to present the results of this public consultation to the next Forum.

(27) The Forum welcomes the study on licensing conducted by ERGEG. The Forum also welcomes the ERGEG pilot project on energy trade data reporting which aims to demonstrate the feasibility of an efficient and cost effective standardized trade data

collection, storage and monitoring scheme. The Forum takes note of ERGEG's intentions to develop recommendations for a future European trade data monitoring scheme. The Forum invites the regulators to present first result of this exercise to the next Madrid Forum.