

**CEER**

**Council of European  
Energy Regulators**



**SoS Workshop:  
Revision of Regulation 994/2010**

**Brussels, 5 September 2016**



# 1. Opening





# Agenda

Agenda Topics	Speaker
<b>1. Opening</b>	Tomislav Jurekovic, CEER Vice President
<b>2. Presentation of CEER Positions</b> <ul style="list-style-type: none"> <li>• Protected customers and solidarity</li> <li>• Regional cooperation</li> <li>• Reverse Flows</li> </ul>	Chris Cuijpers, SoS TF Vice Chair Bernhard Painz, SoS TF Vice Chair Karoline Entacher, SoS TF
<b>3. Legislative process - current state of play</b> <ul style="list-style-type: none"> <li>• EP Draft Report incl. Emergency Supply Corridors</li> <li>• Council State of Play incl. position on regional cooperation</li> <li>• European Commission wrap up of current state of play</li> </ul>	Office of MEP Buzek, EP Martin Pitorák, Slovak Presidency Beatriz Sinobas, EC
<b>4. Panel discussion on latest developments</b> (ITRE amendments, revised Council document)	Office of MEP Buzek, EP Martin Pitorák, Slovak Presidency Beatriz Sinobas, EC Hendrik Pollex, ENTSOG
<b>5. Conclusions and next steps</b>	Tomislav Jurekovic, CEER Vice President



## **2. Presentation of CEER positions**

### **2.1 CEER Position on Solidarity and Protected Customers**



## **CEER Position on Solidarity and Protected Customers**

- **Solidarity only if no market is accessible anymore for buying gas to supply protected customers**
  - ▶ Earlier application of solidarity would distort market dynamics to hedge supply risks (e.g. storage) and to attract new gas (e.g. LNG)
  - ▶ Solidarity intervenes as last resort to supply protected customers when all other measures in the emergency plan are exhausted
  - ▶ Solidarity impacts connected markets through market mechanism, impacts not limited to directly connected MS
- **Solidarity and financial compensations go together**
  - ▶ Demand response: market based release of gas contracted by non protected customers in helping MS (e.g. by less gas demand or fuel switch)
  - ▶ Market based curtailment in helping MS: non protected consumer willingness to accept reduction (1-100%) in return for compensation by MS in emergency
  - ▶ Financial compensations: price caps could be set by the competent authority according to value of lost load (VoLL) in order to avoid opportunistic price offers

## CEER Position on Solidarity and Protected Customers

- **Principles of market balancing can be maintained during emergency**
  - ▶ MS declared emergency: national gas consumption corresponds to consumption of protected customers
  - ▶ Use of Balancing Network Code is still valid in MS with only offtakes from protected customers
  - ▶ Missing gas for market balancing is bought by Balancing Operator
  - ▶ Balancing Operator seeks for cheapest sourcing of missing gas at any accessible market via balancing service tool (hub, merit order list, demand side response mechanism)
  - ▶ Price signal will attract new gas and demand response → gas release
  - ▶ If no gas is available anymore on any accessible market, mandatory gas release of gas contracted by non protected customers

## **CEER Position on Solidarity and Protected Customers**

- **Solidarity arrangements are elaborated in emergency plans**
  - ▶ Each MS elaborates the solidarity arrangements jointly with the connected MS on a bilateral basis as part of the emergency plan
  - ▶ Technical, legal and financial arrangements need to be agreed between MS, in order to allow for flexibility according to the specific situation
  - ▶ EC could be asked for assistance if needed
  - ▶ Affordability/willingness to pay for solidarity of protected customers is an issue to be considered in the arrangements
- **Obligatory gas release by non protected customers**
  - ▶ Only if market-based provision of solidarity, not only limited to connected countries, is insufficient to procure the missing gas for protected customers
  - ▶ Obligatory gas release according to national curtailment plans developed to safeguard system integrity and necessarily limited to directly connected customers (spill-over impact to further connected MS)

## **CEER Position on Solidarity and Protected Customers**

- **Definition of protected customers gains importance in case of solidarity**
  - ▶ Broad definition (harmonised at EU level) enlarges circle of protected customers nationally and reduces the amount of gas potentially available for solidarity with connected MS
  - ▶ Flexible definition which allows MS to declare different categories of consumers as protected customers undermines the „level playing field“ and complicates solidarity arrangements
  - ▶ Consumer priority categories are specified in emergency plan
- **Volume of gas for protected customers**
  - ▶ Potential gas volumes that protected customers represent should be part of the emergency plan of each Member State
  - ▶ Potentially available gas volumes for the solidarity case could be determined and made available in the solidarity agreement



## **2. Presentation of CEER positions**

### **2.2 CEER Position on Regional Cooperation**





## Regions acc. to Annex I

- ▶ The suggested regions do not adequately reflect actual gas flows.
- ▶ A rigid composition of regions cannot deliver the required intense cooperation with all neighbouring Member States along the gas supply corridors.
- ▶ A more flexible approach is needed.



# CEER Position on Regional Cooperation

- **Mandatory regional cooperation:**
  - ▶ The weakness of the existing regulation is the voluntary nature of the cross-border cooperation and coordination
- **Avoid duplication of work:**
  - ▶ If Annex I with the predefined groups of regions was kept, cross-border cooperation between Member States, which are not in the same region, would still be necessary (according to the solidarity requirements of Article 12, which states that the solidarity arrangements ‘shall be agreed among the Member States which are directly connected to each other’).
  - ▶ This leads to a duplication of coordination requirements (within the region and with other connected Member States).

## CEER Position on Regional Cooperation

- **Abandon concept of rigid compositions of regions:**
  - ▶ Each Member State should establish mandatory cooperation with all Member States connected. Relevant regional risks shall be identified with these connected Member States.
  - ▶ This **mandatory cooperative approach** between connected Member States will produce meaningful cooperation that better reflects the physical realities of the gas system than predefined regions would do.
- **Keep three national plans, agree on joint chapters with connected Member States:**
  - ▶ Risk assessment, preventive action plan and emergency plan should remain MS specific (national plans), and should contain chapters agreed with connected MS, in particular regarding emergency and solidarity.
  - ▶ The arrangements for each cross-border IP are jointly agreed by both adjacent (connected) Member States in a chapter, which appears identically in both involved Member States.

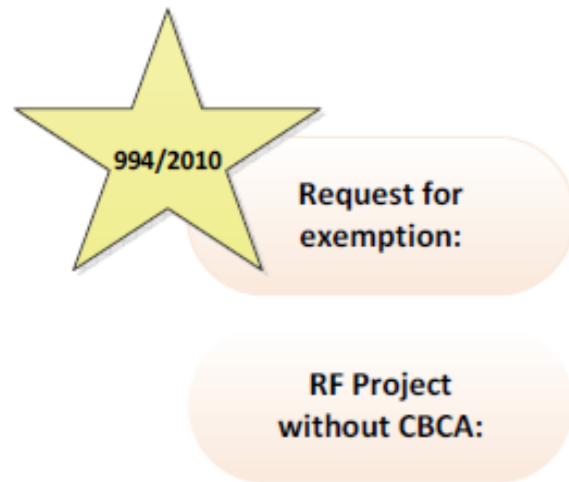
## **2. Presentation of CEER positions**

### **2.3 CEER Position on Reverse Flows**

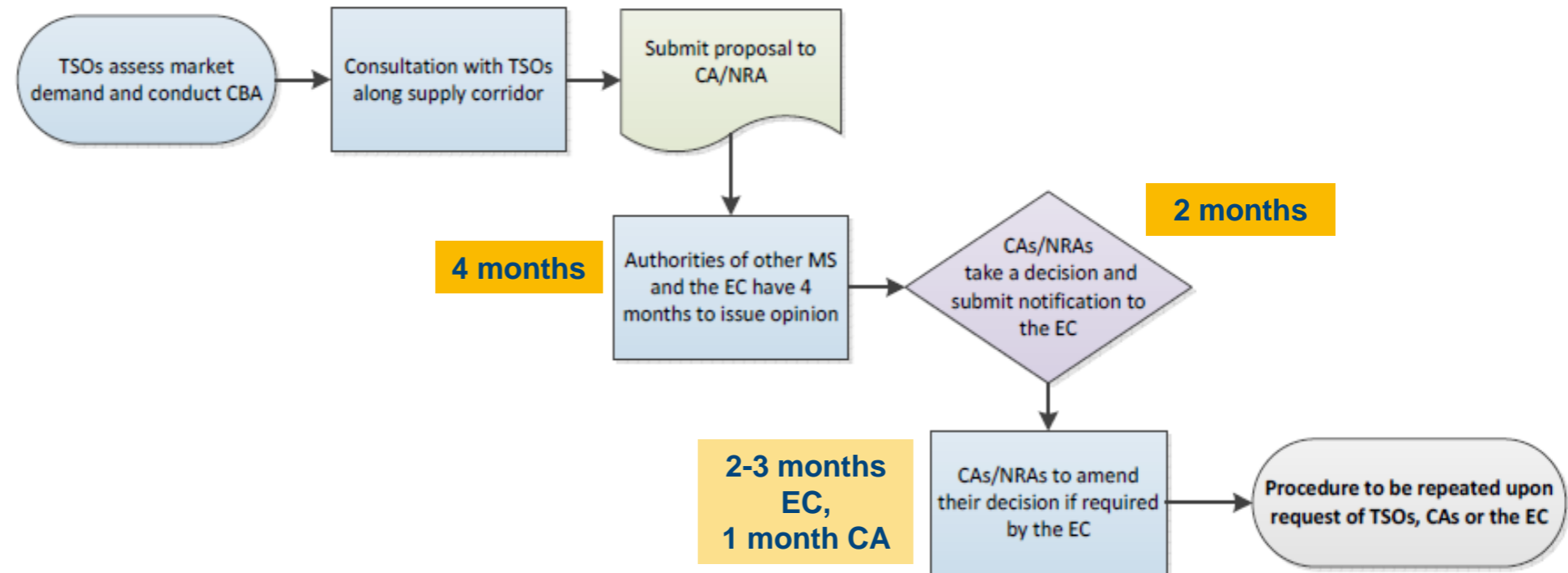


## CEER Position on Reverse Flows

- **Make sure the reverse flow obligation is coherent with Infrastructure Regulation:**
  - ▶ CEER suggests to refer to the procedures laid down in Regulation 347/2013 in Article 4(6) that should be applicable for Reverse Flow projects applying or not for a PCI status.
  - ▶ When a project promoter submits a request for cross border cost allocation, the provisions of Article 12 of Regulation 347/2013 shall be applied.
- **Not all exemptions have to be reviewed automatically:**
  - ▶ Instead of reviewing even undisputed exemptions, it's more effective and manageable to keep the review clause of Reg 994/2010
- **Avoid additional administrative burden:**
  - ▶ Asking ACER to provide 2 to 3 opinions per procedure prolongates the procedure of Annex III even further.
  - ▶ It's more targeted to make sure the EC can ask ACER for an opinion on a specific case (proposal or exemption) if needed.



# Proposal for simplified RF procedure

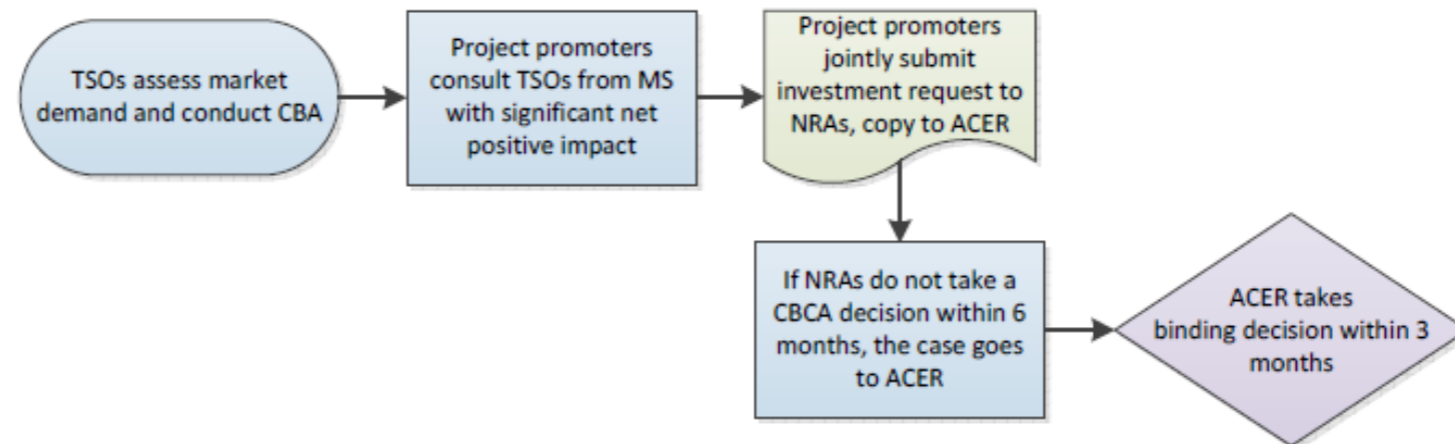


- **CEER proposal:** Requests for exemption or projects which don't necessitate a CBCA could be dealt with in 6 months (if EC agrees to CA's decision) or max. 10 months (if EC makes use of 3 months to request changes)
- **EC proposal:** Requires at least 9 months (if EC agrees to CA's decision) or max. 13 months (if EC adopts modified decision)
- **Simplification:** Not all projects necessitate joint decisions by multiple CAs; not all projects necessitate mandatory ACER opinion; only 1 consultation of CAs of other MS necessary; repetition of process (in case an exemption was granted) only upon request, not automatically





## Proposal for simplified RF procedure



- **CEER proposal:** For Reverse Flow projects which necessitate a cross border cost allocation, CEER refers to the procedure of Art. 12 Regulation 347/2013, which lasts 6 months in case the NRAs agree on CBCA; in case of disagreement, ACER takes a decision and the overall process lasts 9 months
- **EC proposal:** Latest EC proposal foresees a process of at least 11 months in case NRAs agree; or 15 months in case NRAs don't agree on CBCA and ACER takes a decision.
- **Simplification:** Regulation 247/2013 already provides for a process for cross border cost allocations. It's not necessary to duplicate or change the process.





# 3. Legislative Process: Current state of play



## 4. Panel discussion on latest developments



## 5. Conclusions and next steps



**Thank you for your  
attention!**

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