

ERGEG Gas Regional Initiative

North and North West Regional Gas Market

Cover note

The Operators of the Implementation Group of the North and North West Gas Regional Gas Market welcome the opportunity to participate in the Gas Regional Initiative and would like to express their commitment to this initiative, and the goal to improve the regional market as a stepping stone towards completion of the internal market. The Operators would like to make some general remarks on the GRI and clarify how the Operators see the relationship between the different priorities that were identified.

General

The goal of the GRI is to improve the regional market. This goal should be translated into concrete targets. After these have been reached, the next step would be to further the integration of the single European market. As pointed out in the documents published at the launch of the GRI, ERGEG is to coordinate actions and to ensure that these developments in Europe are consistent.

Currently there is a multitude of initiatives from national regulators, the Commission and ERGEG. A duplication of work should be avoided, and after careful consideration issues should be tackled at a European or regional level, not at different levels simultaneously. The added value of the Gas Regional Initiative should be in finding pragmatic, hands-on solutions to practical issues identified, with the aim of ensuring compatibility of arrangements. The goal is the improvement of the internal market. There are costs associated with the harmonisation of standards, practices and regulations, which will ultimately be paid by European consumers. Harmonisation can lead to sub optimal solutions. Therefore, where possible, harmonisation should not be pursued in its own right, but rather national practices should be made compatible with each other as to not obstruct but rather facilitate the market.

The goals set out in the GRI are ambitious and solutions chosen in the GRI have far-reaching consequences. Therefore not only the commitment of all stakeholders is required, but also time. In order to achieve the necessary quality of decisions and implementation plans, it will be necessary to look further than the next Madrid Forum. Most of the priorities identified have a fact-finding stage (phase 1) that can be completed relatively fast, but sufficient time should be taken to develop the best solutions.

The success of the GRI also depends on the involvement of stakeholder groups that are not represented in the IG. In order to identify and overcome market barriers the input of market parties and their experiences is crucial. If solutions are identified that would require changes in the national legislation Member states should be involved to take part in the discussions.

When the GRI was presented at the last Madrid Forum, there was no clarity regarding decision-making procedures in the GRI. The stakeholder groups that expressed their support for the GRI did so with the reservation regarding the uncertainty of procedures and decisions making authority. The Operators of the IG for now agree to work within the framework of the GRI on a voluntary basis.

Priorities

The RCC has identified seven priorities, which are presented in papers, together with an action plan. The Operators agree that the issues addressed in the papers have to be tackled in order to complete the regional market. Concerning the specific actions identified however, the Operators would like to propose a number of changes in order to better address the underlying problems. Furthermore, the Operators have some suggestions on detailed content of the papers and the timeframes. The IG identified two additional priorities: transit and investment. The Operators have decided to address the relevant questions within the priorities set by the RCC. The transit questions, which the operators would like to address, were moved to transparency and regulatory coordination. Within the priority of regulatory coordination investment should play a central role, being identified by Operators as the key issue where better coordination and cooperation between regulators is necessary.

Concerning the priority secondary capacity, the Operators see only a limited role for themselves. Operators can and should facilitate the secondary market by allowing the secondary trade of their products and possibly by providing a bulletin board or trading platform. Aspects related to this can be addressed within the priority primary capacity market, which will reduce the number of priorities. The RCC could consider pursuing the work plan with shippers and other parties that have influence on the success of secondary markets. In addition with regard to the transparency priority and in particular the consideration of a Winter Outlook report, the Operators propose that this should be taken forward by GIE in order to avoid the duplication of effort. The Operators would recommend that ERGEG writes to GIE to request an update on this topic at the next Madrid Forum.

Work plan

The six remaining priorities that were identified are interlinked. There are some potential overlaps and there is at times a necessary chronological order. The attached diagram highlights the deliverables and timescales, associated with the N/NW regional market. It can be seen that there is much to do in a very short space of time. However, it should be borne in mind that many of these issues are linked and that the goal is to increase hub liquidity and trade between hubs. Therefore the findings of the Hubs work stream will be fundamental to the future work plans. It is recommended to re-assess the work plans and potentially re-prioritise work following the outcome of Hub deliverable 2. The Operators also suggest that the attached diagram be further developed to show the work plans of the other two Regional Markets, in this way it can be better ensured that the Regional Markets remain along the same path towards the fulfilment of the single European gas market.

In line with the above, the Operators propose a number of changes to the papers and work plans that were put forward by the RCC. We hope that the RCC considers the suggestions as constructive comments with the aim to achieve the best possible result for the GRI. The Operators propose to organise a working level meeting preferably before the 20th of September with the regulators involved to explain the proposals. The Operators would also ask the RCC to place the Operator proposals and this cover note on the ERGEG GRI website and inform the stakeholders that these documents have been uploaded.