

Conclusions of the
17th meeting of the European Gas Regulatory Forum
Madrid, 14 - 15 January 2010

DAY 1

1. 3rd package

- (1) The Forum welcomed the presentations by the Commission, ERGEG, and ENTSOG on the work done with regard to the third package, in particular the implementation plan and the set-up of the Agency and ENTSOG.
- (2) The Commission recalled that a timely and correct transposition of the Gas Directive (2009/73/EC) by Member States into their national laws is essential. The Commission will actively assist Member States during the transposition period by issuing interpretative notes on a number of key topics (unbundling, independence and powers of regulators, storage and retail issues) and by organising, as appropriate, bilateral and multilateral meetings with Member States to discuss any transposition issues which may arise.
- (3) The Commission presented the discussion paper on guidelines and codes and the ongoing work in connection therewith. The Forum supported in general the priorities in this discussion paper and stressed the need for adequate and appropriate consultation.
- (4) The Commission will actively involve Member States in the work on guidelines and codes, as appropriate, through the Energy Working Group of the Council or the Gas Committee to be established under the third package.
- (5) The Forum stressed that with respect to the coordination of processes there should be one consistent and regularly updated timetable provided by ENTSOG, ERGEG, and the Commission, published minutes of meetings, and regular progress reports to facilitate stakeholders' planning and participation and to contribute to well structured transparency in the whole process.
- (6) The Madrid Forum took note of the technical CEN standardisation in the field of gas infrastructure and recommends considering the relevant European CEN standards when drafting third package guidelines and network codes.
- (7) EASEEGas requests that their work and their expertise be taken into account.

2. Study on tariffs and balancing

- (8) The Forum acknowledged the KEMA study which identifies the problems connected to balancing and harmonisation of transmission tariff structures. The Forum welcomed the efforts by the Commission, regulators, and stakeholders to further work on the issues raised by the study. The study will be taken as a point of departure for further work.

- (9) The Commission invited Member States, regulators, and stakeholders to comment the study before 1 March 2010, in particular on the recommendations and phasing of the proposals.
- (10) The Commission announced that it will address the link between regulatory treatment of tariffs and infrastructure investments in its TEN-E infrastructure package expected later this year in order to create a coherent approach to investment policies.
- (11) The Forum thanked ERGEG for the issues raised and welcomed ERGEG's intention to continue its work on balancing and tariff structures, with the goal of preparing input to framework guidelines on transmission tariff structures as well as on balancing. ERGEG will present its draft framework guideline on balancing to the next Madrid Forum. After the summer break, ERGEG will begin its work on a framework guideline on tariffication. This timetable may be subject to revision as appropriate. (The next steps in the remaining priority areas of capacity allocation and congestion management are outlined under respective headings 3 and 4 below.)
- (12) As an interim step, ERGEG will, in close cooperation with ENTSOG and other stakeholders, analyse the recommendations of the KEMA study, both with regard to balancing and tariffication. The role of tariffs with respect to short term capacity allocation will also be addressed in the context of ERGEG's work on congestion management.

3. Capacity Allocation Management • presentation of draft framework guideline as part of the pilot project on 3rd package implementation

- (13) The Forum generally thanked ERGEG for its work done. The Forum acknowledged in particular that ERGEG further concretised its initial proposal. The Forum took note of comments by stakeholders, ENTSOG in particular, and invited all stakeholders to participate in the ongoing ERGEG consultation.
- (14) Stakeholders pointed in particular to the need to limit discretion by TSOs and individual national regulators in order to achieve as consistent an approach as possible. Where flexibility in implementation is needed, this should be reflected in the timing of implementation.
- (15) ERGEG will submit the final pilot framework guideline to the Commission, after integrating comments received during the ongoing public consultation. ENTSOG is invited to start subsequently to draft the pilot network code based on ERGEG's work.

4. Congestion Management Practices • proposal by ERGEG to amend chapter 2 of the Annex of Regulation (EC) N° 1775/2005

- (16) The Forum appreciated the work done by ERGEG. The Forum welcomed the interim results of the study launched by ERGEG which recognises the urgent need for legally binding action regarding congestion management. Detailed concerns of the stakeholders should be presented to ERGEG and the Commission and can also be

tabled at the ERGEG workshop in February 2010. Upon finalisation by ERGEG, the Commission will consider with priority to amend chapter 2 of Annex I of Regulation 715/2009 based on the ERGEG recommendations under the comitology procedure foreseen under the third package.

5. Update on other topics (Storage, Gas Quality, Transparency in comitology, Security of Supply, World Forum on Energy Regulation)

(17) The Commission announced that a cost benefit analysis is launched as part of the mandate to CEN on gas quality standards. All stakeholders are asked to cooperate, in particular by providing input on costs and benefits of gas quality harmonisation. As part of the project, all Member States are asked to provide the Commission with information on legal and regulatory limits to gas quality. CEN presented an update of the ongoing testing program as part of the project. Their results are expected in late 2010.

(18) The Forum welcomed the updates of the Commission on the discussions of the Security of Gas Supply Regulation and the comitology discussions on transparency. The Forum also thanked ERGEG for its report of the World Forum on Energy Regulation. The International Gas Union invited ICER to cooperate on global regulatory issues.

DAY 2

7. 10 year network development plan

- (19)The Forum welcomed ENTSOG's presentation of the first European Ten Year Network Development Plan for gas transmission systems (TYNDP). ENTSOG announced the production of the second European TYNDP by the end of 2010. The work in 2010 is foreseen to include a stakeholder dialogue on network modelling and network resilience. The Madrid Forum welcomed the achievements and asked all stakeholders to continue their co-operation with ENTSOG in the production of the second TYNDP.
- (20)The Forum concluded that the plan needs to combine a bottom-up and a top-down approach and that it needs to be forward looking. In that respect it reminded ENTSOG, for its future work, that all of the criteria outlined in Art 8 (10) of Regulation (EC) No 715/2009 need to be taken into account, e.g. modelling of the integrated network, demand and supply scenario development, a European supply adequacy report and an assessment of the resilience of the system, in their approach towards the European TYNDP.
- (21)The Forum welcomes ERGEG's presentation and its efforts to gain better knowledge of the integrated network. ERGEG is invited to use the experiences gained in its model-based analysis study to evaluate ENTSOG's first European TYNDP. ENTSOG is invited to use the regulator's project as a basis for the development of a modelling of the integrated network.
- (22)ENTSOG and ERGEG announce that each will organise a half day workshop on 26 January to discuss the plan with stakeholders.
- (23)The Forum hopes that decision makers will use the plan as a basis for the evaluation of investments needed, for example in case of the Skanled project.

8. LNG

- (24)The Forum welcomed the presentation by ERGEG on congestion management procedures and anti-hoarding mechanisms in the European LNG terminals as well as the ongoing work by stakeholders regarding the scope for harmonization / convergence of LSO services and access conditions. Eurogas and EFET presented their findings on their joint work undertaken. GLE presented its preliminary assessment of the joint Eurogas and EFET input and underlined its commitment to accommodate as far as possible the suggested harmonization and convergence agenda of LSO services and access conditions.
- (25)The Commission underlined the importance of ongoing work in this area which should help to enforce a consistent European regulatory regime with equal access for all terminal users reflecting the increasing role which LNG is playing in the EU. The Commission will reflect on the relevance of ongoing activities in this area for further

EU energy policy considerations such as security of supply and external energy policy and invites ERGEG to draw concrete conclusions from their work for further action at EU level. The Forum welcomed the Commission's offer to organize a workshop with ERGEG and stakeholders (including terminal users) to take ongoing work in this area forward.

9. Regional initiatives

- (26) The Forum welcomed the presentation by Everis/MercadosEMI on the Draft Final Study on the Regional Initiatives, as well as the presentation by ERGEG on the consultation document 'a Strategy for delivering a more integrated European energy market: the role of the Regional Initiatives' and on the ERGEG Progress Report on the Regional Initiatives, as well as the presentation by ENTSOG on the role of the Regional Initiatives under the Third Package.
- (27) The Forum acknowledged that the Draft Final Study, sent on 18 December 2009, contains interesting suggestions on the development of a reference model and on governance issues to further improve the effectiveness of the Regional Initiatives. The Commission invites the regulators, Member States and stakeholders to submit any comments, ideas and suggestions by 31 January 2010.
- (28) The Forum agreed that a strategic view was needed to set the overall direction of the Regional Initiatives; that Member States, the Commission, regulators and all stakeholders would have a significant role, and that in this regard the follow-up of the KEMA study (as tabled under heading 2 above) is important. The Forum stressed that progress in all regional projects, including the Regional Initiatives mostly should be consistent with the European approach. ERGEG was encouraged to develop its conclusions paper in the light of responses to its consultation and to report its findings to the Forum.
- (29) The Commission will take due account of the study on the Regional Initiatives, ERGEG's Strategy Paper, ERGEG's Progress Report, and comments received during the consultation process. The Commission intends to present a Communication on the Regional Initiatives by June 2010 and will keep the Forum updated.