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Our ref : GRI002-10

Brussels, 29 January 2010

**ERGEG “Role of the Regional Initiatives paper” (E09-RIG-04-03)**

Dear Fay

Thank-you for the opportunity to comment upon the above consultation.

Please find attached the ENTSOG response.

Yours sincerely



Stephan Kamphues  
President, ENTSOG

## ERGEG “Role of the Regional Initiatives paper” (E09-RIG-04-03)

### Background

The various regional initiatives, including ERGEG’s GRI, were established as a temporary measure to assist the process of European market integration. They have played an important role enhancing the prospects of improved regional markets.

The ERGEG GRI, in particular, has been widely supported and has delivered some improvements particularly those arising from the bringing together and enhancement of trust between the major actors; regulators, TSOs, and wider market players and stakeholders including member states. All actors now much better understand the issues from the perspective of other actors as well as the challenges ahead of us as we seek to deliver better European energy markets.

The Third Package is now being implemented and provides an enabling framework that should be the primary focus for subsequent efforts to promote European energy markets.

ENTSOG endorses the Third Package process of priority setting, framework guideline formulation, network code development followed by comitology to deliver binding rules for gas transmission network access. This will be the best method to enable robust and enduring reform of network access rules that support effective markets and security of supply.

The Third Package does not solely envisage European rules and standardisation. It recognises that regional co-operation should, and may necessarily, complement European activity.

Whilst the current GRI has had some successes and continues to make progress in some areas it is consuming considerable resources. Commission, regulator, TSO, member state and wider market player resources are scarce in the context of the present range of regional and European activities. The extensive range of current papers and consultations are testimony to that. All actors seem enthusiastic to get their work on the table and therefore co-operation and co-ordination needs to be improved. It is essential that scarce resources are deployed in the most effective manner into priority areas and that duplication of effort is avoided.

To ensure efficiency ENTSOG proposes that GRI activity should be focussed on currently active existing projects expected to deliver tangible outputs.

New efforts, however, should be focussed on the envisaged normal Third Package process which reflects balanced but distributed leadership of Commission, ACER (or its predecessor), relevant ENTSO and Parliament/Council at the various stages in that process. ENTSOG supports the Madrid Forum XVII conclusion that at least another gas pilot of the Third Package processes (in addition to that being conducted for Capacity Allocation Methods) is started during 2010. The relevant subject matter needs to be carefully chosen by the Commission in the context of discussion with ENTSOG and the regulators. The pilot activities should be used to further trial the European processes and establish whether, and if so

where, regional approaches might be beneficial for either faster implementation or for regional trial purposes in the chosen priority area. This approach would enable regional specific work to be conducted , where appropriate, taking account of Commission’s determinations with respect to both specific content area and geographical considerations.

The following sections provide greater detail about the rationale for the ENTSOG position and answer some of the specific questions raised by ERGEG in the “Role of the Regional Initiatives paper” (E09-RIG-04-03) document.

## **ENTSOG Rationale**

- **Third Package processes**

The Third Package envisages a number of processes that might be used to deliver binding rules.

ENTSOG believes that the spirit of the Third Package is that the priority setting-framework guideline-network code development process should be the primary means to deliver inputs to the comitology process. This process reflects the passing of leadership between Commission, ACER and the appropriate ENTSO at the various development stages. This process is therefore carefully balanced, well formulated and would provide accountability to all actors provided that the sub-processes are transparent and that the leadership at each stage is as responsive as possible to all actors. Provided that member states and wider stakeholders are able to contribute and their views are considered at all stages then we should have a process that affords opportunity to deliver at both European and a regional basis.

The approach therefore provides an appropriate balance; no single group within the process could dominate the process. Given the scarcity of resources the issue of balance may make the priority setting-framework guideline-network code development process as the best place to focus those resources.

- **Delivering at a European level**

The aspiration must be to work at the European level and to have as close as possible to common rules. Wherever this is possible and practical this will enhance prospects of delivering a single European gas market.

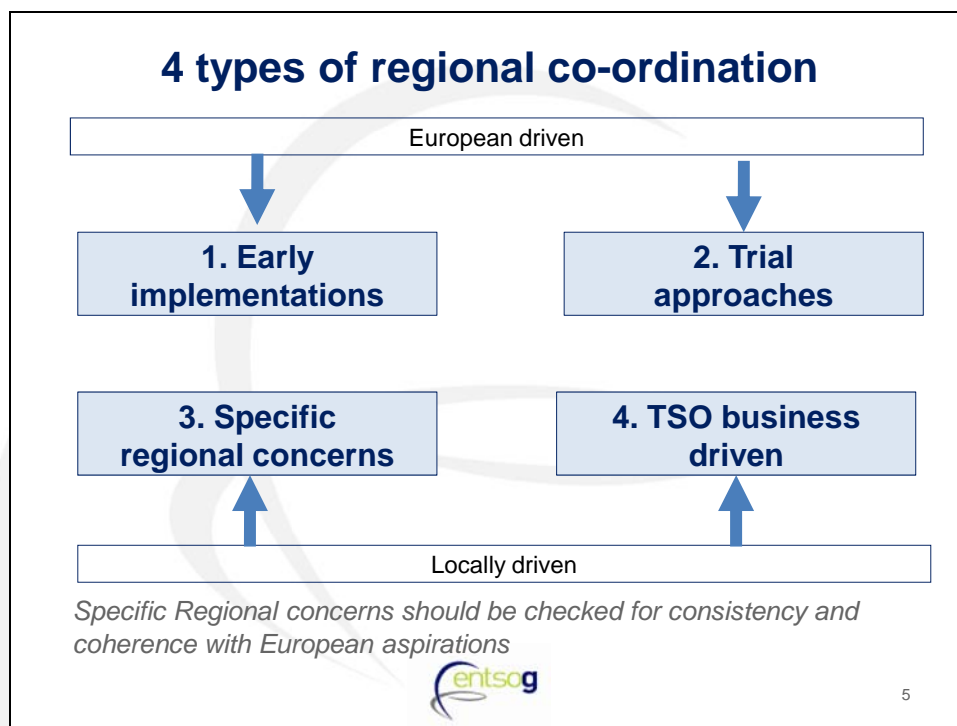
However the Third Package recognises the challenge and explicitly identifies that regional co-operation may be necessary where it contributes towards the single European market.

Therefore ENTSOG envisages that regional activities will result from European work with relevant content areas and geographical regions being defined in a European context based on the content area and by the Commission where appropriate. The regions will therefore need to be defined on a case-by-case basis and will not necessarily correspond to the current GRI regions.

- **Four categories of regional activity**

ENTSO-G has established 4 categories of regional activity that might exist in the context of the Third Package.

The following is the slide used at Madrid XVII to depict the categorisation:



The first two categories may be expected to originate from European work or initiatives; the last two from more local considerations.

- Early implementations

Having established a European code, that might or might not include regional specificities, there might be opportunities to achieve accelerated implementation consistent with the code within defined regions.

This might reflect an opportunity to deliver accelerated benefits to parts of Europe rather than proceed at a slower speed reflecting all impediments to progress whether they be legal, regulatory or contractual challenges.

- Trial approaches

There may be some content areas where European approaches are sought but where a trial approach might be used as a test bed to inform pan-European considerations. Such a pilot might take place at one point or a region with a view to extract learning prior to consideration of refinement or roll-out at a European or regional level.

The above two examples are therefore driven by European considerations; the following two would be driven by local considerations.

- Specific regional concerns

There may be issues that might be relevant to only parts of Europe. This might involve specifics defined because of the network topology in those areas or because of local market conditions. Thus a “differential approach” might be appropriate to address these issues in the regions where the issue may be acting as an unwarranted inhibitor to the local market.

Any such initiatives would need to be carefully considered in the context of European work to ensure that local progress should not frustrate later but greater benefits associated with pan-European approaches.

- TSO business driven

Where TSOs see opportunities for regional co-operation then they should be free to pursue business driven opportunities in the same way that any other business partnerships might be established.

- Process to define Regional activity

ENTSOG view is that European approaches should be used to define early implementations, to define trials for potential roll-out and to assess specific regional approaches against European requirements and aspirations.

Regional approaches might be identified as part of the priority setting process, or more likely as part of the framework guideline and network code development process.

- Governance

The post Third Package framework embraces European and National governance. However regional co-operation will be challenging given that no formal governance is explicitly defined; the Third Package enables but will not necessarily assure progress towards regional markets.

ENTSOG therefore believes that coherence and consistency needs to be delivered preferably via European initiatives. Fragmentation and double work should be avoided wherever possible; it is not credible to have inefficient processes duplicating efforts of a scarce and overstretched resource pool of Commission, ACER, ENTSOs, member states and wider stakeholders.

Where regional co-operation initiatives are necessary they must be carefully defined. The geographical areas for regional co-operation in each content area need to be defined on a case-by-case basis. The composition of the regions should be expected to be different for different content areas; synergies and opportunities will vary from one subject to another. One size regions are unlikely to work well for all issues.

Therefore current GRI should focus on existing identified and currently active projects. New regional projects compatible with the goal of European-wide internal market should then be identified and relevant governance frameworks established on a case-by-case basis to deliver regional improvements and to ensure coherence and convergence wherever possible in the context of pan-European aspirations.

## Key points to answers ERGEG's five questions

- Blueprint

Whilst some form of blueprint to inform post-Third Package work may be helpful it is unlikely that there would be a common vision for gas and electricity. Fundamental differences imply that the approaches may also be fundamentally different. For example gas is heavy and slow to move; electricity is light and very fast. Most gas travels large distances and crosses international border whereas electricity is more likely to be produced closer to demand and with perhaps less cross border flow.

Greater clarity about the problems to be solved and the objectives to be delivered would enable better, more focussed and therefore faster progress and to ensure coherence and convergence.

ENTSOG advocate that the Commission should contemplate a small group including representatives of ACER and ENTSOG to formulate the vision for gas so it can inform priorities. However that should not delay current Third Package pilot programmes nor current GRI activity. It would be inappropriate to slow progress awaiting any vision or blueprint. Any development of blue-print must occur in parallel with Third Package pilots.

- Member state involvement

It is essential that Ministries have an opportunity to input to framework guideline and network code development. The lead responsibility for these phases of rule development reside with ACER and ENTSOs who must enable the Ministries involvement as appropriate.

Ministries should continue to track current projects in GRI and other existing regional initiatives.

Progressively more regional activity will emanate from European work superceding the current GRIs and the commitment of Ministries to be involved at all stages of development, including the Commission's prioritisation activities as required may be essential to ensure codes that are likely to be approved in the comitology process.

- Electricity regions

Where European work implies a benefit arising from regional work then the geographical areas, both for gas and electricity, should be determined on a case-by-case basis depending on the subject

- Inclusion of other regional initiatives into ERGEG Regional Initiative

The focus should be on making the European processes work and using this to define what work might need to be done at a regional level

We need to recognise that there may also be opportunities where collaboration between market players, regulators, TSOs and member states might be helpful and that such freedom to act is

maintained although we should request that any such activities are informed to ACER, ENTSOs and Commission so that their implications in a European context can be understood.

- ACER improve co-ordination

Co-ordination of regional activities should be done via the normal European processes envisaged by the Third Package. We do not consider that the enhancement of the current GRI/RCC arrangements are necessarily the best approach to continue on an enduring basis in the post-Third Package world.

The Third Package defines a well balanced hand-over of lead responsibility between Commission, ACER, ENTSOG, Council /Parliament. This should ensure balance, accountability, and most importantly collective responsibility to promote reform.

The Third Package pilots provide opportunity to test implementation of the processes and then to refine and improve the processes so that we can ensure the appropriate mix of work to be completed at a regional and European level.