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STAKEHOLDERS IN NORTH WEST EUROPE UNDERLIGN IMPORTANCE OF REGIONAL PROGRESS TO CREATE A EUROPEAN MARKET

Today the Dutch Office of Energy and Transport Regulation (NMa) and the Swedish Energy Markets Inspectorate (EI) hosted the sixth regional stakeholder conference for the ERGEG Gas Regional Initiative North West in Stockholm. The 90 participants in the conference in Stockholm included the major gas companies in North West Europe, network companies, representative organisations, the European Commission, regulators and representatives of national governments of the 9 countries. In the conference progress was achieved in several areas towards the development of a fully functioning gas market in the North West region. In this light there was attention for the impact of the 3rd Package, but all parties agreed that the regional approach is of an ever greater importance and that the regional level is still the place where real steps towards the creation of a single gas market are to be made.

Peter Plug, Director of the Dutch Office of Energy and Transport Regulation and chair of ERGEG GRI NW stated it as follows during his opening speech: "The Third package has created a new playing field for the Gas Regional Initiatives. The third package has assigned an important role for regional cooperation to establish the European market. The creation of new framework guidelines and grid codes will ask a tremendous effort off every stakeholder in this room. New bodies like ACER and ENTSOG have been established. The challenge for the Gas Regional Initiative North West is to maintain to bring progress to North West region by coming up with practical solutions to real world problems."

In the conference 4 sessions lead to results.

Session 1 Transparency

From the beginning of October, Gas Storage Europe publishes daily storage volumes for most storage capacity in NW Europe. This will help market functioning through the winter, and further improvements, with most of the remaining storage facilities in NW Europe being added, are expected in December. The European Commission announced plans to bring forward further binding legislation on gas transparency.

Session 2 Investment

A presentation on the proposals in regard to fostering sound regional investment climate was presented to the stakeholders. The participants showed support for developing regional investment climate in general. Furthermore a discussion on the outcome of the project and policy advice for enhancing regional investments with 7 practical ideas, took place.

Session 3 Short Term Capacity

An update on the outcomes of the Short Term Capacity Project was given. Amongst stakeholders there is agreement that the establishment of a short-term firm capacity market is important and that clarity is given on the involved issues. During the meeting the stakes for 2010 where discussed.

Session 4 Secondary Markets

Secondary Markets are essential to the efficient usage of primary capacity and to promote access to capacity. Especially secondary marketing of cross-border capacities helps integrating the North West gas region further towards a fully functioning gas market. So far a lot has already been achieved in the first phase of this project (day-ahead capacity projects at BOS and Ellund). Now the past trading activity will be analysed. The results will serve as a basis for decision about how to further improve trading platforms, products and processes. The Stakeholder Group Meeting served to enhance discussion amongst involved parties which is essential to ensure that any changes are market driven and increase the platforms' liquidity.

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Notes for Editors:

1. The European Regulators Group for Electricity and Gas (EREG) was established by the European Commission in 2003 as its advisory group on Internal Energy Market issues. The Regional Initiatives, launched by EREG in spring 2006 with the Commission's backing, established 3 gas and 7 electricity regions in Europe as an interim step to creating single European electricity and gas markets.

Table: Electricity and Gas regions of the EREG Regional Initiatives
(lead regulator(s) in italics)

Electricity Regional Initiative (ERI)	
Central-West	<i>Belgium, France, Germany, Luxembourg and the Netherlands</i>
Central-East	<i>Austria, Czech Republic, Germany, Hungary, Poland, Slovakia and Slovenia</i>
Central-South	<i>Italy, Austria, France, Germany, Greece, and Slovenia</i>
Northern	<i>Denmark, Finland, Germany, Norway, Poland and Sweden</i>
South-West	<i>Spain, France and Portugal</i>
Baltic	<i>Latvia, Estonia and Lithuania</i>
France-UK-Ireland	<i>United Kingdom, France and Ireland</i>
Gas Regional Initiative (GRI)	
North-West	<i>the Netherlands, Belgium, Denmark, France, Germany, Ireland, Northern Ireland, Sweden and the United Kingdom</i>
South	<i>Spain, France and Portugal,</i>
South-South East	<i>Austria, Italy, Bulgaria, Czech Republic, Greece, Hungary, Poland, Romania, Slovakia and Slovenia</i>

The proceedings from the European Commission/EREG 2009 Regional Initiatives Conference are available on the energy regulators' website (www.energy-regulators.eu)

2. Among the measures in the 3rd Energy Liberalisation Package (adopted in 2009) which are likely to accelerate regional market integration are:
 - the introduction of framework guidelines and EU-wide network codes which create harmonised cross-border regulatory rules which facilitate trade between national markets, and ultimately their integration;
 - related to the previous point is the ability of the European Commission to propose network codes for the comitology procedure which would make each relevant network code legally binding;

- the enhancement of the powers and independence of national regulatory authorities (NRAs), together with the extension of their objectives to include the promotion of a single European electricity and gas market, and as part of that, the promotion of regional markets;
- specific consideration of regional co-operation and regional market development as a complement to ‘top-down’ measures, e.g. obligations on Member States and regulators to co-operate for the purposes of integrating their national markets at one or more regional levels. There are also provisions with regard to cooperation by grid operators on a Community-wide and regional-based network development plans (which will encourage more joined-up networks), a role for the EU Agency for the Cooperation of Energy Regulators in monitoring the cooperation of Transmission System Operators (TSOs), and new EU TSO bodies to foster cooperation among TSOs.

These measures, when implemented, will transform the context within which the Regional Initiatives (RIs) currently operate from an essentially voluntary one, to one with binding and enforceable rules.

3. The ERGEG Regional Initiatives is the only pan-European initiative that provides for a consistent and structured approach for the integration of 7 electricity and 3 gas markets into one EU energy market. The built-in safeguards include:
 - the governance structure of the Regional Initiatives framework is set up to be all-inclusive with Stakeholder Group meetings and Implementation Group meetings.
 - Overview by ERGEG to make sure solutions found in the regions don't frustrate moving towards a single EU market.
 - Monthly reporting internally to make sure promises are being delivered. This facilitates the European Commission monitoring progress and taking action where appropriate.
 - Open reporting of progress on the website (www.energy-regulator.eu), also to European regulatory gas (Madrid) and electricity (Florence) fora twice a year, the annual Regional Initiatives conference and public consultations at both regional and EU level.
4. In the Electricity Regional Initiative (ERI), the regions continue to deliver results on their major priorities notably harmonisation and improvements to congestion management (calculation and allocation) and to harmonising transparency. Concrete results include the growing consensus across Europe towards target congestion management mechanisms, the implementation of which will allow electricity interconnectors across Europe to be used more efficiently. With regard to common allocation procedures there has been significant progress with coordinated regional auction offices being created which will help harmonise and improve the characteristics of allocated products (firmness, compensation schemes, hourly/daily/monthly etc.). The Central-East, Central-South and Central-West regions have, or will soon have, a single set of auction rules operational at a regional level. The France-UK-Ireland region developed a capacity management system to apply new auctions rules on the French-English interconnector. The ERI has led to a more harmonised level of transparency both within and across regions with regionally-based transparency reports requiring TSOs to publish required information in due time in five of the seven regions.
5. Concrete results have been delivered across the 5 common priorities of the 3 Gas Regional Initiatives (GRI) namely investment, capacity allocation and congestion management, transparency, interoperability, and security of supply. On investment, the GRI proved a very efficient approach to improving the coordination of several “open seasons”, and gathering together all the interested parties on investment decisions on new gas interconnection capacity at a regional level. Open Seasons are a two-step process which allow investors to efficiently consult the market about how much infrastructure it needs, and under what terms it would like this infrastructure to be marketed. It also allows resulting capacity to be allocated on a transparent and non-discriminatory basis. On capacity allocation and congestion management, the GRI contributed to developing coordinated cross-border procedures at various locations in the EU, in response to the specific needs of each particular situation. Transparency was enhanced through voluntary commitments from TSOs to release new

data on the availability and use of transmission infrastructures. With regard to interoperability, the GRI helped harmonise certain rules between specific adjacent countries, leading towards easier gas movements and increasingly liquid gas hubs. The GRI also helps integrate national gas markets and reinforces the security of gas supply e.g. the development of new interconnection capacity at the Spanish-French border is also expected to deliver benefits for security of supply not only in the Iberian Peninsula, but also for the wider European market.

6. ERGEG is now consulting on two papers: the Regional Initiatives Progress Report, addressing in particular the coherence and convergence of the 10 ERGEG regions – this consultation runs until 31 December 2009; and a second public consultation on the “ERGEG Strategy Paper for delivering a more integrated European energy market: the role of the Regional Initiatives” (ref. E09-RIG-04-03), 9 Nov 2009) which runs until 31 January 2010. Given that the aim is one EU energy market, some interesting questions are raised in these consultations including inter alia:
 - a. Is a high level/strategic vision needed to set the overall direction of market integration? Would it delay or could facilitate it progress?
 - b. Are the 7 existing electricity regions of the ERGEG Regional Initiatives too many, should they evolve to fewer regions and if so when and how?
 - c. Should the regional projects which lie outside of the ERGEG Regional Initiatives (e.g. Pentalateral Forum) be incorporated in some way in the overall approach of achieving a single European energy market and if so how?

For further information on these consultations visit the public consultations section of the website www.energy-regulators.eu.