

***10<sup>th</sup> Meeting of the UNECE Gas Centre Task  
Force on the Implementation of the EU Gas  
Directive***

***5<sup>th</sup> – 6<sup>th</sup> April 2005, Essen (Germany)***

***An Overview of Current Developments  
and Issues***

***by***

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- EXPLANATION ABOUT CURRENT DEVELOPMENTS AND EUROGAS WORK IN HAND, GGSSO HIGHLIGHT
- EVALUATION OF “PROGRESS”
- UNBUNDLING
- CONCLUDING REMARKS



## *PERSPECTIVES (1)*

- Eurogas wants to see steady, even progress, towards a competitive gas market in line with the requirements of the gas Directive 2003/55/EC.
- Eurogas actively participates in the Madrid Forum and attaches high importance to making progress on the basis wherever possible of clearly worded voluntary agreements arrived at with the involvement of all stakeholders.
- Eurogas calls for full implementation of the Directive 2003/55/EC and from July 2006 the Regulation on Gas Network Access.
- Eurogas also expects to see TSOs/SSOs honour commitments to voluntary guidelines.



## *PERSPECTIVES (2)*

- The customer is (or soon will be) king; wholesale and retail businesses are developing a much more customer oriented approach.
- Gas is the fossil of choice for environmental reasons.
- Demand for gas is rising in Europe and worldwide.
- European dependency on non-European sources is increasing.
- Oil prices are leaping leading to questions about prevalent gas/oil price link.



*EXPLANATION ABOUT CURRENT  
DEVELOPMENTS AND EUROGAS WORK IN HAND*



## *INTERNAL MARKET PREOCCUPATIONS*

- REGULATION ON GAS NETWORK ACCESS → FINAL ADOPTION
  - derived from GGP II. Eurogas concerned that it should adequately reflect users' requirements
- GGPSSO → to be implemented by SSOs from April, newly agreed
  - for Eurogas, document for **voluntary** implementation, and evaluation on practical basis. Not a text for Regulation.
- MADRID FORUM
  - engaged in discussion on a number of network use issues (calculation of capacity, UIOLI, users' market needs, EASEE-gas CBPs questions)
- PROGRESS REPORT 2005
  - Eurogas position on framework approach and criteria for evaluating progress (relationship with DG Competition's Investigation into the gas market?)



## ***INFORMATION ABOUT THE GGPSSO (1)***

- The scope and objective of the GGPSSO are in accordance with Articles 2(9) and 19 of the European Directive 2003/55/EC.
- Not legally binding.
- Set out principles whereby SSOs will provide TPA to storage by 1<sup>st</sup> April 2005, or according to other specified deadlines.
- Make substantial progress towards enhancing a shared understanding of the storage access system, but should be evaluated in light of practice.



## ***INFORMATION ABOUT THE GGPSSO (2)***

Services timetable – example.

Storage capacity including bundled services and long-term services (> 1 year) by 1<sup>st</sup> April 2005.

Unbundled services, short-term services (< year), and the availability of both firm and interruptible services by 1<sup>st</sup> April 2006.

Information systems and electronic communications to provide adequate data to storage users by 1<sup>st</sup> April 2005, target but possible leeway to 2006.

\* \* \*

Eurogas sensitive to concerns expressed about costs incurred by TSOs emphasized that consultation with users essential to ensure TSOs identified market needs and money spent is well spent.



## ***INFORMATION ABOUT THE GGPSSO (3)***

### CHAPTERS ON:

- Roles and Responsibilities of Storage System Operators
- Role of Storage Users
- Storage capacity allocation and congestion management
- Confidentiality Requirements
- Transparency Requirements
- Tariff Structure and Derivation (distinguishes between RTPA and NTPA)
- Storage Penalties
- Secondary Market



*EVALUATION OF PROGRESS IN THE INTERNAL  
MARKET*



## *CHECKING MECHANISMS*

- Benchmarking Report 2004.
- Planned Progress Report by EU Commission in 2005.
- Monitoring process in Madrid Forum.

All raise the question, how do we know when we have arrived?

- Quantitative results
- Correct overall framework, with correct mechanisms and procedures in place
- Continuing barriers or evidence of benefits



## ***RANGE OF CRITERIA***

Efficiency Gains (Whereas 2)

Price reductions/developments (Whereas 2 Article 31.3)

Higher standards of consumer service/public service standards (Whereas 2 Article 31.3)

Investment Monitoring, including and related to the development of interconnection (Article 31.3)

Infrastructure, and the security of supply situation in the Community (Article 31.3)

The conditions of transit (?) (Article 31.3)

Customer switching rates Tariffs renegotiation rates

Non-discriminatory access to networks and storage (Article 31.3)

Approach to unbundling (Article 31.3)

Aspects of market dominance, market concentration and predatory or anti-competitive behaviour

What about: customer switching procedures

hubs development

customer service and satisfaction



Eurogas urges balanced review of developments and progress of the internal gas market, involving the gas industry, and employing accurate data, based on coherent terms and information.



*UNBUNDLING*



## **UNBUNDLING**

*Article 9.1 Where the transmission system operator is part of a vertically integrated undertaking, it shall be independent at least in terms of its legal form, organisation and decision making from other activities not relating to transmission. These rules shall not create an obligation to separate the ownership of assets of the transmission system from the vertically integrated undertaking.*

Minimum criteria are set out in 9.2

- TSO managers can not participate in integrated company structures
- professional interests of TSO managers should not impact on independence of action
- TSO should have effective decision-making rights
- compliance programme to be established



Further advice is contained in the note to the Directive posted on the DG TREN website in January 2004

## **Definition of a Vertically Integrated Undertaking**

- the undertaking is at the same time involved in generation or supply of electricity/gas
- and
- the network operation is done within the same legal structure
- or
- the network operation is done in a legally separate network company which is, however, under the “control” of the supply/generation company, or a holding company, which “controls” a supply/generation company, in the sense of Article 3(3) of the above Council Regulation on mergers (e.g. because the mother company holds the majority of the shares/voting rights of the related network company).
- or
- the separate network company “controls” the supply/generation company, is thus at the same time a holding company.



If these conditions are fulfilled, legal and functional unbundling applies and the following steps have to be taken by the VIU.

- a separate network company has to be set up (if it does not yet exist)
- the network company, if it remains under “control” of the related supply/generation company in the sense of Article 3(3) of the above Council Regulation has to be unbundled in functional terms in the sense of Article 15(2) for Electricity or 13(2) for Gas, to ensure the necessary independence from the parent company.

**The Note is not legally binding but in the event of a question arising about interpretation, is likely to be treated as an authoritative source.**



## THE UNBUNDLING PROVISION IS ABOUT CONFIDENCE AND TRUST

“In order to ensure non-discriminatory access to the network and avoid conflicts of interest”

