

POSITION PAPER ON PROPOSALS ON THE INTERNAL MARKET: IMPROVED MARKET INTEGRATION

General Comments

Eurogas joins in the consensus on the need for improved co-operation and co-ordination of national activities, both regulatory and operational, at EU level. Eurogas is concerned, however, at the tendency implied in the SER proposals and emerging in the responses of key players to develop too bureaucratic and rigid a structure to market planning and development, which may facilitate at certain levels market integration but risks ignoring market needs.

Eurogas supports the range of actions proposed in the Energy policy package to achieve improved market integration: effective regulation in every Member State through the harmonization of the powers and independence of energy regulators; acceleration of the harmonization of technical standards and development of common business practices necessary to improve interoperability and to permit cross border trade to work effectively; increased co-operation between Transmission System Operators; increased transparency; fast-track planning and approval procedures for infrastructure projects; infrastructure projects.

Eurogas endorses need for an enhanced supra-national regulatory oversight and improved co-operation among TSOs but the scope and activities of any new structures within this aim must be clearly determined and the issues for which they would be responsible well defined. Furthermore their establishment should not lead to a closed loop of decision making, ignoring market stakeholders' interests. An approach has to be developed to deliver targeted progress in areas reflecting market priorities, and in this system users have to have a key role in determining the necessary services, harmonized business practices, network planning, and interoperability standards (unless purely technical) has to be acknowledged. This role should reflect the revised status and expectations of an enhanced European regulatory role and a new TSO co-ordination body to provide an appropriate focus for all uses and related parties' views.

In the view of Eurogas, there will be better co-operation among Regulators at EU level, if national Regulators have the resources and powers to carry out their duties effectively and correctly, albeit with due consideration for the European dimension. While performing their statutory duties, however, regulators have the possibility to exercise significant discretion in their decisions, and to improve transparency of decision-making Eurogas therefore advocates that they should adhere to Guidelines for Good Regulatory Practice*.

Co-ordination of regulators at EU level

Eurogas supports the proposal for a much improved supra-national regulatory approach, which could be delivered by different means, as for example a European network of independent regulators, but its role and powers including in relation to national regulators have to be clear.

Eurogas favours something more than the voluntary co-operation among regulators represented by ERGEG because this structure has not been adequately successful in delivering the necessary regulatory co-operation, especially on cross-border issues. A more advanced supra-national approach, overseeing in appropriate ways national situations with a clearly defined authority and scope, should result in a greater balance between EU and national perspectives, leading to solutions in the interests of an integrated energy market.

* Eurogas has prepared a separate document proposing a set of Guidelines for Regulators.

The sort of areas, in which an enhanced regulatory co-operation should have oversight are

- cross-border investment and projects which are of potential interest to markets of more than one Member State, and related tariff issues
- approval of European and security standards and oversight of their development
- cross-border activities with a view to ensuring TSOs deliver more seamless grid services
- co-ordination of activities of national regulators which have a potential impact on European market interests. It is for consideration, whether their responsibilities could not allow for right of appeal against decisions of national regulators
- enforcement of EU level Regulatory requirements and voluntary agreements.

At the same time, such a body should have reporting responsibilities on the development of competition, investments of cross-border interest, and the implementation of EU level regulation and voluntary agreements. It should be accountable to the European Parliament. It should issue annually a report setting out its costs and the efficiency of its performance.

Especially if it evolves in the direction of an independent EU Regulator, it should be subject to principles of good regulation.

Further, in exercising its responsibilities, the body should adequately involve system users, perhaps including within its decision making machinery representatives of users.

Increased Co-operation among TSOs

Eurogas endorses the need for enhanced co-ordination between transmission system operators, although the form this should take has to be carefully considered. It could be a general (structured) co-ordination, or it could be a more flexible ad-hoc arrangement, with particular TSOs co-operating on particular projects. Eurogas would be very concerned if TSOs were empowered at the expense of users' interests. Furthermore, Eurogas sees a higher level of co-operation as essential for TSOs, but does not identify the same need with regard to SSOs or LNG terminal operators.

For ease of reference, the general structured approach is referred to as GTEplus, although in employing this term Eurogas means a body subject to certain agreed obligations, working within a clear regulatory framework but not a formal body with powers.

Eurogas envisages that on the basis of consultation of all stakeholders, timetables and targets should be set by the network of independent regulators for TSOs to co-operate at EU or regional level whichever appropriate.

Areas for urgent co-operation should include

- common approaches to improve transparency, interoperability, cross-border network operations, including co-operation on balancing regimes
- improvement of existing access terms and conditions
- co-ordination of decisions involving cross-border investment or projects with a potential impact on markets in more than one Member State
- implementation of commonly agreed standards
- activities to permit effective co-operation among all TSOs

GTEplus should report to stakeholders and be formally accountable to ERGEG.

GTEplus' role would be to be part of a planning process and to share responsibility in ensuring the delivery of necessary investment important to the EU gas market as a whole. Eurogas would, however, be very concerned if GTEplus had more than a facilitating role in the procedure, which has to involve suppliers, traders, and shippers and be followed on a basis of a balanced approach to risk and reward.

The role of the association EASEE-gas should be strengthened in order that it supports the network of independent regulators by preparing specific operational practices and standards.