

**COMMENTS ON THE EVERIS/MERCADOS STUDY FROM REGIONAL MARKETS TO A SINGLE EUROPEAN MARKET**

Eurogas welcomes the attention that is being given to the development of regional markets as a stepping stone to a robust European market, and in particular how to improve the RI process. Now that the Third Energy Package has been adopted and the policy and regulatory context is again evolving, it is timely to conduct such a review, taking into consideration the views of stakeholders based on their experiences since the GRI was set up in 2004.

The Everis/Mercados study is a useful contribution to the review exercise. It is a comprehensive work, based on the consultants examination of the issues from a third-party perspective and taking into account interviews with RI participants including Eurogas.

In parallel, ERGEG has also been consulting on the RI initiatives and how to improve them. Attached are Eurogas responses to the two most recent ERGEG consultations, reflecting positions that also serve as our starting point for our comments on the Everis/Mercados study.

**General Remarks**

Eurogas can for the most part endorse the overall assessment of the strengths and weaknesses of the RI process and its outcome to date, although as there are only three GRI regions, there is not a high level of concern about action mismatches or lack of regional co-ordination. The three GRIs have been focusing on different issues, necessarily because of different market circumstances, but their objectives and progress are transparent, and Eurogas has not perceived conflictual situations arising.

Eurogas is also somewhat surprised by the remark on p. 108 of a “drop off in interest” in using the RIs’ vehicle. Despite the pressures on resources and time, Eurogas members have continued active and interested in the three regions.

As the assessment recognizes, a main strength of the RI process is that it facilitates a bottom-up, pragmatic dialogue to developing the market. The three GRIs have served to identify problems that need to be tackled, and have improved understanding of the issues surrounding them. They have also anticipated the Third Package in improving co-operation among TSOs and also among Regulators, with the involvement of stakeholders. Inevitably now that the Third Package is adopted and work is pressing ahead on the development of European rules and codes, a new top-down pressure will be felt, which is welcome, but the objective should be to ensure that the strengths of a fundamentally industry – NRA dialogue are preserved.

Eurogas also supports the emphases on improved managements of the individual GRIs, and better co-ordination of the process as a whole in a longer-term framework that derives from the Third Party objectives and the progress in the work to draw up European codes and rules. This should not lead to a bureaucratic or unduly rigid process. Good initiatives have been taken in recent years, and it is important to build on these.

The proposal is supported for clear roadmaps for each region and for the three GRI regions collectively, with marked-up objectives and deliverables in a target timescale.

**The Proposed Gas Sector Roadmap**

Eurogas mostly agrees with the proposed Gas Sector Roadmap, except that it should now be aligned with the planned work on balancing and tariffs. Also, while Eurogas recognizes that hubs development is to a large extent dependent on progress of a range of issues, its importance should receive more emphasis. It is premature, however, to think about introducing regulation to support their expansion. While regulators have an important role in

facilitating the emergence and development of hubs, Eurogas considers that they should be market-driven and not subject to formal regulation.

### **Recommendations**

**A Governmental Committee of the relevant Member States should be established in each region, which will meet in advance of the RCC meeting to discuss the broader strategic and policy issues.**

Eurogas agrees that greater involvement of the Member States in the process will bring added-value, but this recommendation seems unduly cumbersome. National representatives should be encouraged to follow the GRI and to assist in removing obstacles to progress towards the internal gas market that are identified in national law, but the essential governance of the GRIs should remain with market participants and regulators, who should be invited to explore ways of involving Member States as appropriate.

Similarly Commission officials should be encouraged to participate in the GRI, to ensure that GRI members are fully informed of developments in policy, and to advise if work in the GRI risks being in conflict with EU legislation. This work, however, in the GRIs should not be confused with the mechanisms to produce EU legislation, although it may be that an occasional pilot will be deemed suitable for taking along the legislative route, as recently happened with improved transparency rules.

In the view of Eurogas Programme Boards or high level steering groups, with democratically arrived at compositions, will improve the governance.

**Issues of European wide concern and for which a harmonized approach across regions is required should be subject to greater top-down guidance.**

**However, there are other issues for which there is a lesser need for harmonisation and for which policy guidance can be left to the Regions under a bottom-up input.**

The issues identified and others will require a balanced approach to their development, focused on harmonized and convergent approaches in line with an emerging market model. The model, however, should not be so inflexible that it takes inadequate account of bottom-up input at least in a transitional period.

**For issues, in which a common vision exists, a sufficiently detailed Reference Model needs to be urgently defined and endorsed.**

**Regions should focus in implementing and adapting the reference model to their regional specifications. While Regulators, both ERGEG and NRAs, with the EC supervision, should ensure that no project proceeds in ways that is incompatible with this model.**

This recommendation reflects the main challenge in regional market development. A reference model will be quickly in place through the already ongoing work in the first place for transparency as proposals to include additional binding rules are already in the Comitology process, but also the regulatory route will become clearer on capacity, balancing and tariffs. Regions, or more correctly Governments and regulators within regions, should not focus on adapting, but on finding ways to implement such requirements, to ensure as harmonized an approach as possible throughout the EU.

**Where there is at present no consensus, a vision needs to be developed.**

**Developing a vision requires the identification of the main issues to be addressed and providing minimum requirements according to the best solution identified. This**

**task could be performed by the proposed Governmental Committee, supported by NRAs and the RIs.**

**For these issues the Regions will work in pilot testing projects and, subsequently, in implementing the defined model.**

This is an unduly high-level approach. The regions should focus on analyzing their practices on a range of issues necessary to implement correctly the Third Package, and also those gathering speed in ERGEG/ENTSOG's work. In particular they should check for obstacles that could be encountered in national legislation or anticipate changes that may be needed as the outcome of the work on EU standards and rules emerges.

Regulators and industry together are best placed to identify the issues to be addressed and possible solutions. See above for reservations on the proposed Governmental Committee.

**Various improvements to project management practices and stakeholder involvement can be introduced, building on Best Practices in particular regions.**

Eurogas can support the good practice recommendations, except for those referring to the Governmental Committee.