

# Gas Road Map

**Energy Community Secretariat**

**Vienna, 13<sup>th</sup> October 2006**

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## BACKGROUND

- Article 3b of the Treaty establishing the Energy Community:
  - *Implementation by the Contracting Parties of the acquis*
  - *The acquis on energy: 2003/54/EC, 2003/55/EC, 2003/1228/EC*
  - *The timeline:*
    - *implementation of the acquis by July 2007*
    - *adoption of measures for market opening by January 2008 for non-household customers and January 2015 for all*

## PURPOSE

- Implementation of acquis and adoption of measures for market opening supported by Road Maps (Action Plans)

## TIME HORIZON

- The time horizon: till the end of 2007
- Adoption and implementation of the acquis by July 2007
- Adoption of measures for market opening by January 2008
- Commitment of the Contracting Parties to undertake actions under a specific deadline, while being free to choose the means

## REFERENCES

- The Secretariat is requested to facilitate development of the Road Maps by
  - Ministerial Council Meeting, June 2006, Conclusion No 4
  - Permanent High Level Group Meeting:
    - March 2006, Conclusion No 18
    - May 2006, Conclusion No 9
  - Athens Forum, June 2006, Conclusions No 18-28

## STAGED APPROACH

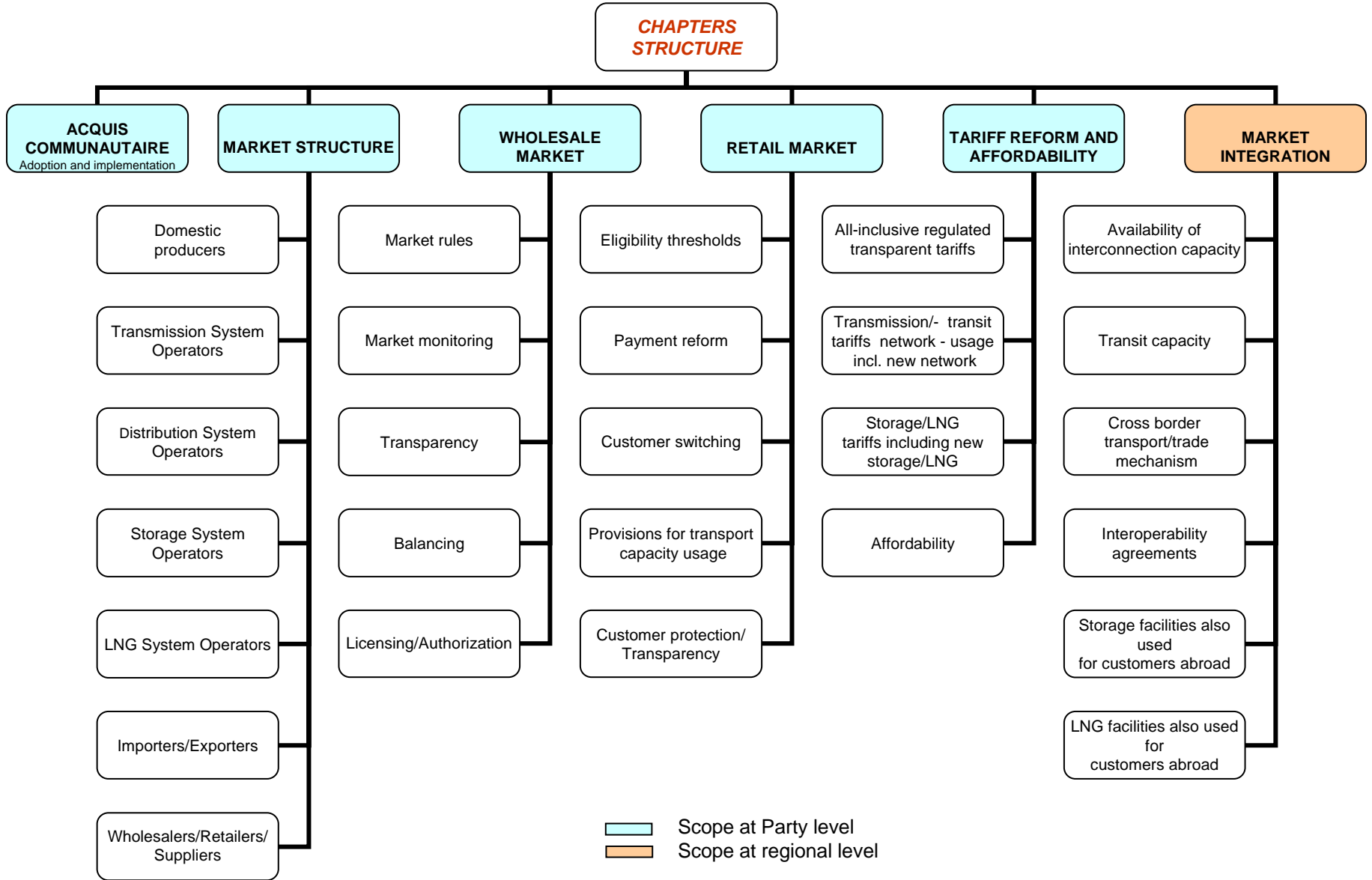
- Drafting – in September 2006
- Agreeing – in October/November 2006
- Committing – in November 2006
- Implementing – from November 2006 onwards
- Monitoring – from November 2006 onwards
- The Contracting Parties to provide information through the Templates of the Road Maps
- The Secretariat to review, monitor and assess progress on quarterly basis and regularly publish monitoring reports
- The EC to take overall coordination

## TEMPLATES OF THE ROAD MAPS

- Two templates – electricity and gas – in three parts each
- Part 1: ROAD MAP STRUCTURE
  - general description of the structure explaining the content
- Part 2: ACTION PLAN
  - six chapters (1 – Acquis; 2 – Market Structure; 3 – Wholesale Market; 4 – Retail Market; 5 – Tariff Reform and Affordability; 6 – Market Integration)
- Part 3: CHECKLIST/GUIDELINES FOR EACH ACTION
  - checklist of actions and guidelines on what information the Contracting Parties are required to provide in Part 2
  - inventory of issues for monitoring purposes later on

## WHAT IS EXPECTED FROM THE CONTRACTING PARTIES

- To fill in the respective fields in the Part 2 – ACTION PLAN in all of the Chapters 1 to 6 on the basis of the Part 3 – CHECKLIST/GUIDELINES FOR EACH ACTION
- To accept thereby a common platform for development of individualised and tailor-made Road Maps
- To enable easier monitoring by collecting symmetrical information and reporting in a party-by-party comparable way



## Chapter 1 – Acquis communautaire

- This chapter aims to ensure that the provisions of the Directive 2003/55EC are transposed. The information required in this chapter is a reference to the national legislation indicating both the legal disposition and the relevant articles, in case that the Directive's provisions were adopted accordingly.
- The overall deadline for the transposition of the gas *Acquis* is the 1st July 2007, except for the eligibility calendar which is January 2008 for non-household consumers and January 2015 for household consumers.

## Chapter 2 – Market Structure

- The chapter addresses market concentration and proposes, if deemed necessary, measures. It also pursues effective unbundling of system operators.

## Chapter 3 – Wholesale market

- This chapter addresses the wholesale market design and rules, in order to achieve competitive market. Competition in the wholesale market shall be ensured by transparency provisions and the regarding market monitoring. The necessary balancing regime is being covered as well, under the market rules subchapter, as the required licensing and authorization process.

## Chapter 4 – Retail market

- This chapter aims to ensure that the retail market opening measures in terms of eligibility thresholds and time schedules are being implemented.
- The customer switching process and the payment reform is being addressed, as well as customer protection.

## **Chapter 5 – Tariff reform and Affordability**

- The chapter covers the issue of cost reflectiveness in all inclusive tariffs and network usage tariffs (transmission and distribution networks). Affordability issues are also being covered.

## **Chapter 6 – Market integration**

- This chapter includes a description of issues related in particular to cross border trade and cross border transport. The key issues to be solved at regional level include the methodology for capacity allocation, the tariffs for transit and for storage/LNG facilities which also serve for abroad and the licensing provisions that are mutually recognised .
- This chapter's actions should be regarded as of regional level and should be agreed upon by regional bodies.

•FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				•FIELDS TO BE FILLED IN BY THE CONTRACTING PARTIES		
•No	•Subchapter	•Action	•Not later than	•Status of the actions and references •(laws, national plans)	•Deadline	•Responsible institution
•2.1	•Domestic production/Storage-/LNG operator/importer, trader, retailer	•Analyse and assess markets including market concentration in each Party's gas industry applying the commonly used indicators	July 2007/ December 2007			
•2.2	•Domestic production/Storage-/LNG operator/importer, trader, retailer	•Based on the results obtained in action 2.1 propose measures, if necessary, to adapt the market structure to the requirements of the gas market liberalisation process	July 2007			
•2.3	•Transmission-system operators	•Analyse trade, including cross border trade conditions regarding hurdles. Ensure unbundling and implementation of technical rules (network code)	December 2007			
•2.4	•Distribution system operators	•Analyse trade and ensure effective unbundling, if obliged to do so, and ensure adoption of technical rules	July 2007			

•FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES		
•No	•Subchapter	•Checklist/Guidelines
•2.1	•Domestic production/Storage/LNG operator(s)/importer trader, retailer	<ul style="list-style-type: none"> <li>• Define markets, measure and assess market concentration in each Party's gas industry like:                             <ul style="list-style-type: none"> <li>- Domestic production volume and capacity, import volume and capacity</li> <li>- Wholesale activities</li> <li>- Retail activities</li> <li>- Storage capacities (injection and withdrawal capacities and storage volume)</li> <li>- Etc., by applying analytical techniques that are consistent with international best practice and with the precedent established by the competition authority of the EC and, as relevant, of MS that have implemented European competition law</li> </ul> </li> </ul>
•2.2	•Importer, trader, retailer	<ul style="list-style-type: none"> <li>•Analyse trade, including cross border trade conditions regarding hurdles like import or export restrictions and precautions in order to remove those restrictions</li> </ul>
•2.3	•Domestic production/Storage/LNG-operator(s) /importer, trader, retailer	<ul style="list-style-type: none"> <li>• Based on the results obtained in action 2.1 and 2.2 propose measures, if deemed necessary, like:                             <ul style="list-style-type: none"> <li>- Implementation of a gas release program</li> <li>- Decision whether a negotiated or regulated storage access shall be implemented</li> <li>- Restructuring of gas industry</li> <li>- Planning of new capacities</li> <li>- Security of supply provisions</li> <li>- Etc.</li> </ul> </li> </ul>
•2.4	•Transmission- system operators (TSO)	<ul style="list-style-type: none"> <li>• Develop and implement:                             <ul style="list-style-type: none"> <li>- Effective unbundling</li> <li>- TPA conditions</li> <li>- Effective operations including planning (new capacities, development of infrastructure forecast etc.)</li> </ul> </li> </ul>
•2.6	•Distribution system operators (DSO)	<ul style="list-style-type: none"> <li>•Develop and implement:                             <ul style="list-style-type: none"> <li>-Effective unbundling, if obliged to do so</li> <li>-TPA conditions</li> <li>-Effective operations including planning (new capacities, development of infrastructure forecast etc.)</li> <li>-Restructuring of distribution activities, if necessary</li> </ul> </li> </ul>

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•No	•Subchapter	•Action	•Not later than	•Status of the actions and references •(laws, national plans)	•Deadline	•Responsible institution
•3.1	•Market rules	•Develop and implement non-discriminatory market rules fostering competition, supporting trade, including cross border trade/transport	December 2007			
•3.2	•Transparency	•Provide and publish data including services offered to the market	•December 2007			
•3.3	•Market monitoring	•Elaborate and implement an efficient market monitoring system in order to obtain reliable data for further development of the competitive market.	•December 2007			
•3.4	•Balancing	•Elaborate and implement a non-discriminatory, balancing regime fostering competition and cross border trade/transport	•December 2007			
•3.5	•Licensing and Authorization	•Elaborate and implement a licence/authorization system, harmonized also for a regional access	•December 2007			

# Gas Road Map – Checklist “Chapter 3”

•FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES		
•No	•Subchapter	•Checklist/Guidelines
•3.1	•Market design	•Develop a framework for a non-discriminatory, transparent competitive market
•3.2	•Market rules	<ul style="list-style-type: none"> <li>•Ensure compatibility between national markets regarding:                             <ul style="list-style-type: none"> <li>-Wholesale market opening (compatibility of agreements concerning eligibility)</li> <li>-Import and export restrictions</li> <li>-Interconnection agreements</li> <li>-Operational balancing agreements</li> <li>-Balancing regimes</li> <li>-Provisions concerning “old” and new long term take or pay contracts</li> <li>-Ancillary services,</li> </ul> </li> <li>•by elaborating and implementing the regarding actions/measures</li> </ul>
•3.3	•Transparency	<ul style="list-style-type: none"> <li>• Data to be made available (published) to market participants concerning:                             <ul style="list-style-type: none"> <li>- Activities</li> <li>- Services offered (including tariffs etc.)</li> <li>- Conditions of access</li> <li>- Nomination procedure,</li> <li>- Capacity allocation</li> <li>- Available capacity</li> <li>- Anti capacity hoarding mechanism</li> <li>- Maintenance information</li> <li>- Disruption circumstances/conditions</li> <li>- Etc.</li> </ul> </li> </ul>
•3.4	•Market monitoring	<ul style="list-style-type: none"> <li>• Develop and implement a market monitoring system and monitor activities like:                             <ul style="list-style-type: none"> <li>- Market opening level</li> <li>- Market concentration for domestic production, if any, import, wholesale activities, storage activities</li> <li>- Abuse of dominant position</li> <li>- Security of supply</li> <li>- Switching rate</li> <li>- Gas price development for eligible and non eligible customers</li> <li>- Etc.</li> </ul> </li> </ul>
•3.5	•Balancing	•Establishment of a non-discriminatory, broadly cost neutral balancing regime which avoids cross subsidisation between system users
•3.6	•Licensing and Authorization	•Provide compatibility and harmonization concerning licence/ authorization conditions based on objective, non-discriminatory criteria, including provision for the reasons for any refusal and implement them

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• No	• Subchapter	• Action	• Not later than	• Status of the actions and references (laws, national plans)	• Deadline	• Responsible institution
• 4.1	• Eligibility thresholds	• Elaborate and implement market opening measures in terms of eligibility thresholds and time schedules	December 2007			
• 4.2	• Payment reform	• Elaborate and implement measures for a non-discriminatory transparent payment reform	• December 2007			
• 4.3	• Customer switching	• Elaborate and implement a non-discriminatory transparent customer switching process minimizing transaction cost and disputes	December 2007			
• 4.4	• Transport capacity usage	• Elaborate and implement a non-discriminatory transparent methodology for capacity allocation supporting customer switching and avoiding capacity hoarding	December 2007			
• 4.5	• Customer protection	• Elaborate and implement non-discriminatory transparent measures for customer protection in particular vulnerable customers which also minimize disputes	December 2007			

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•No	•Subchapter	•Checklist/Guidelines
•4.1	•Eligibility thresholds	<ul style="list-style-type: none"> <li>•Elaborate and implement actions/measures in terms of eligibility thresholds and time schedule, necessary to open the market</li> </ul>
•4.2	•Payment reform	<ul style="list-style-type: none"> <li>• Elaborate and implement actions/measures for the payment reform like:                             <ul style="list-style-type: none"> <li>- Improvement of collection rates,</li> <li>- Installation of proper metering devices,</li> <li>- Electronically data processing</li> <li>- Etc.</li> </ul> </li> </ul>
•4.3	•Customer switching	<ul style="list-style-type: none"> <li>• Develop and implement measures for transparent customer switching like:                             <ul style="list-style-type: none"> <li>- Termination of existing contracts,</li> <li>- Application for network access for existing and/or new point of consumption</li> <li>- Metering and settlement arrangements including when switching in between reading a cycle</li> <li>- Time schedule for supplier switching</li> <li>- Load profiles for customers which are not hourly metered</li> <li>- Upgrade of IT systems and electronic filing required fro customer switching</li> <li>- Etc.</li> </ul> </li> </ul>
•4.4	•Transport capacity usage	<ul style="list-style-type: none"> <li>• Elaborate and implement a methodology for transport capacity allocation for:                             <ul style="list-style-type: none"> <li>- New consumers like first come first serve, pro rata, auctioning</li> <li>- Customers switching the supplier like capacity goes with the customer</li> <li>- Etc.</li> </ul> </li> </ul>
•4.5	•Customer protection	<ul style="list-style-type: none"> <li>• Develop and implement measures for protection of the customers like:                             <ul style="list-style-type: none"> <li>- Cost reflectivity for grid usage</li> <li>- Transparent price settings for non-eligible customers including price information on the bills</li> <li>- Avoidance of subsidies among customer groups</li> <li>- Transparent customer information</li> <li>- Quality of supply standards incl. monitoring</li> <li>- Vulnerable customers</li> <li>- Dispute settlement mechanism</li> <li>- Disconnection criteria</li> <li>- Transparency of bills</li> <li>- Financing the support mechanism, if any</li> <li>- Etc.</li> </ul> </li> </ul>

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•No	•Subchapter	•Action	•Not later than	•Status of the actions and references •(laws, national plans)	•Deadline	•Responsible institution
•5.1	•All inclusive regulated tariffs	•Elaborate and implement non-discriminatory transparent all inclusive tariffs, reflecting costs	December 2007			
•5.2	•TPA tariffs for transmission/distribution networks	•Elaborate and implement non-discriminatory transparent tariffs for third party access for transmission-/distribution networks reflecting costs	December 2007			
•5.3	•Transit network use	•Elaborate and implement non-discriminatory transparent tariffs for third party access for transit networks	December 2007			
•5.4	•Tariff for new infra-structure. Art. 22 being applied.	•Elaboration and implement criteria and institutions for the exceptions to general rules of TPA including cross border infrastructure	December 2007			
•5.5	•Tariff for new infra-structure no exemption	•Elaborate and implement non-discriminatory transparent tariffs for third party access to new infra-structure; no exemption in accordance with Art.22	December 2007			
•5.6	•Tariff storage (regulated/ •negotiated)	•Elaborate and implement transparent tariffs being non-discriminatory and supporting competition	December 2007			
•5.7	•Affordability	•Elaborate and implement a support scheme for the vulnerable customers, including incentives for economic energy use	December 2007			

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<b>•No</b>	<b>•Subchapter</b>	<b>•Checklist/Guidelines</b>
•5.1	•All inclusive regulated tariffs	<ul style="list-style-type: none"> <li>• Develop and implement measures regarding:                             <ul style="list-style-type: none"> <li>- Analysis of cost reflective tariffs</li> <li>- Calculation and implementation of non discriminatory cost reflective tariffs based on efficiently incurred cost taking into account an appropriate rate of return provide incentives for capacity expansion ; the respective time schedule and plan for bring regulated tariffs to cost reflectivity shall be included</li> <li>- Avoidance of cross subsidies between different categories of consumers</li> </ul> </li> </ul>
•5.2	•TPA tariffs for transmission/distribution networks	<ul style="list-style-type: none"> <li>• Elaborate an in terms of eligibility thresholds and time schedule and implement measures regarding:                             <ul style="list-style-type: none"> <li>- Transparent, non-discriminatory, cost reflective, non-discriminatory published tariffs, reflecting efficiently incurred cost whilst fostering competition and providing incentives for capacity expansion</li> <li>- Appropriate return on investment</li> <li>- Avoidance of cross subsidies between users</li> <li>- Taking into account backhaul flows</li> </ul> </li> </ul>
•5.3	•Transit network use	<ul style="list-style-type: none"> <li>• Develop and implement measures regarding elaboration/implementation:                             <ul style="list-style-type: none"> <li>- Transparent, non-discriminatory, cost reflective, non-discriminatory published tariffs, reflecting efficiently incurred cost whilst fostering competition and providing incentives for capacity expansion</li> <li>- Appropriate return on investment</li> <li>- Avoidance of cross subsidies between users</li> <li>- Taking into account backhaul flows</li> </ul> </li> </ul>
•5.4	•Tariff for new infrastructure (exemption granted)	•Elaborate and implement criteria/institutions for the exceptions to general rules of TPA including cross border infrastructure
•5.5	•Tariff for new infrastructure (without exemption in accordance to art. 22)	•Develop and implement actions/measures regarding transparent non-discriminatory published tariffs for new infrastructure, avoiding cross subsidies between network user and are based on efficiently incurred cost; backhaul flows should be taken into account
•5.6	•Tariff storage (regulated/negotiated)	•Develop and implement actions/measures regarding transparent non-discriminatory published tariffs; avoiding cross subsidies
•5.7	•Affordability	•Develop and implement actions/measures regarding support scheme for the benefit of vulnerable customers, incl. incentives for economic energy use

•FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				
•No	•Subchapter	•Action	•Deadline	•Responsible institution
•6.1	•Interconnection/ •transmission- /Transit capacity	•Elaborate and implement a non-discriminatory transparent methodology for capacity allocation supporting cross border trade/competition	•Not yet decided	•Not decided •(probably ECRB)
•6.2	•Cross border transport	•Elaborate and implement a transparent non-discriminatory process facilitating cross border transport	•Not yet decided	•Not decided •(probably ECRB)
•6.3	•Storage/LNG facilities if also used abroad; regulated/negotiated access	•Elaborate and implement non-discriminatory transparent published tariffs and or terms for storage/ LNG usage which facilitate cross border gas trade and competition	•Not yet decided	•Not decided •(probably ECRB)
•6.4	•Licensing	•Analyze the compatibility of licensing and develop and implement licensing provisions which foster cross border trade/transport	•Not yet decided	•Not decided •(probably ECRB)

**•FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES**

•No	•Subchapter	•Checklist/Guidelines
•6.1	•Interconnection/transmission capacities/Transit capacity	<ul style="list-style-type: none"> <li>• Develop and implement measures regarding transparent non-discriminatory:                             <ul style="list-style-type: none"> <li>- Capacity allocation mechanism</li> <li>- Offering firm/interruptible capacity</li> <li>- Congestion management procedures</li> <li>- Avoidance of capacity hoarding (use it or lose it stipulations)</li> <li>- Capacity trading/secondary market</li> <li>- Calculation of available capacity</li> <li>- Interoperability issues</li> <li>- Co-operation of infrastructure maintenance</li> </ul> </li> </ul>
•6.2	•Cross border transport	<ul style="list-style-type: none"> <li>• Elaborate and implement actions/measures regarding:                             <ul style="list-style-type: none"> <li>- Published interconnection agreements</li> <li>- Published operational balancing agreements</li> <li>- Avoidance of any customs duties</li> <li>- Quantitative restrictions or measures having equivalent effect</li> <li>- Generally Applicable Standards of the European Community</li> </ul> </li> </ul>
•6.3	•Storage/LNG facilities also used abroad, if any (regulated or negotiated access)	<ul style="list-style-type: none"> <li>• Elaborate and implement actions/measures regarding:                             <ul style="list-style-type: none"> <li>- Transparent, published non-discriminatory tariffs and/or terms for storage/LNG usage which facilitate cross border gas trade, including appropriate return on investment whilst facilitating capacity expansion and fostering competition</li> <li>- In case that storage access is regulated, the tariffs shall be based on efficiently incurred cost</li> </ul> </li> </ul>
•6.4	•Licensing	<ul style="list-style-type: none"> <li>•Analyze the compatibility of licensing and develop and implement licensing provisions which foster cross border trade/transport</li> </ul>

## The very next steps:

- The Contracting Parties fill in the Actions Plans and transmit their respective Action Plans to Secretariat by October 15, 2006
- The Secretariat has provided technical assistance in the period September 15, 2006 – October 15, 2006
- Based on these Action Plans tailored National Roadmaps will be elaborated

## Challenges towards implementation:

- To elaborate national roadmaps in context with regional roadmaps
- To support Parties in preparing gas act, market rules etc.
- Monitor the process and provide input to meet the tight time schedule