Energy Community PHLG Meeting
Way forward on gas Network Codes in EnC

Vienna, 15 March 2016

Directorate General for Energy
Network Codes: integral part of the 3rd package and necessary tool for market integration

- EU gas network codes harmonize (aiming high) existing national rules with a view to enlarging and connecting markets for the benefit of consumers
- They are "simply" a means to achieve functioning gas markets
Network Codes in the EU gas sector

What do Network codes aim to achieve?

• promote a level playing field for all market actors;
• enhance cross-border trade; and
• foster competition and market-based security of supply in the sector

How do they achieve this?

• harmonizing market and technical procedures across the EU to operationalize key concepts of the 3rd Package (congestion management, capacity allocation, market-based balancing, etc.) to facilitate market integration
• pushing stronger cooperation between NRAs, TSOs and build on ACER and ENTSOG to facilitate implementation
• where reasonable, allowing for phased implementation and having regard to national specificities
Gas Network Codes in EnC: start immediately with the essential...and follow up ambitiously!

- Work with Baltic and SEE MSs to implement harmonized rules shows need to have regard to specificities and stages of market development
- Gas markets in EnC CPs are largely constrained by lack of diversification, insufficient infrastructure and legacy contracts – NCs can help resolve part of the problem
- Applying gas network codes should therefore be in a successive manner, focusing first on provisions that lay the groundwork for a functioning market (e.g. creating bookable interconnection points), followed by rules that push to solidify such a market framework
- "First wave" should start immediately!
CESEC cooperation can provide excellent framework for implementing NCs in EnC

- CESEC work (July 2015 MoU agreed by 9 MSs and 6 CPs) is exceptional opportunity to push broader regional gas market integration

- **EC is ready to work with EnC Secretariat and CPs** to design an ambitious but pragmatic **implementation schedule** both in terms of timing and content (concept should also be discussed in CESEC format)

- **EC recommends** setting up a **working group** drawing on **ACER and ENTSOG expertise** to specify provisions for first wave of implementation
Possible elements of "first wave provisions"

- **NC Interoperability** and in particular interconnection agreements: need to establish bookable points!
- Congestion management rules (CMP Guidelines): need to free up contractually but not physically congested pipelines for competition
- **Capacity Allocation Mechanism NC**: gas day, kWh, standard products, capacity offer: need to standardize operational schedules, capacity products
- **Balancing NC** (incl. interim measures): need to start prudent process towards market-based regime
Congestion management guideline – applies as of 10/2013

Capacity allocation network code – applies as of 11/2015

Balancing network code – applies as of 10/2015

Interoperability and data exchange network code – will apply from May 2016

Transmission tariff structures network code – in preparation
– likely adoption end 2016

Incremental capacity – amendment of Capacity allocation network code – in preparation, likely adoption end 2016