

**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY
REGULATORS No 07/2018**

of 2 October 2018

**ON THE ANNUAL REPORT FOR THE YEAR 2017 OF THE EUROPEAN
NETWORK OF TRANSMISSION SYSTEM OPERATORS FOR GAS**

THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS,

Having regard to Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators¹, and, in particular, Article 6(3)(b) thereof,

Having regard to Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005², and, in particular, Article 9(2) thereof,

Having regard to the favourable opinion of the Board of Regulators of 19 September 2018, delivered pursuant to Article 15(1) of Regulation (EC) No 713/2009,

Whereas:

1. INTRODUCTION

1.1 Process

1.1.1 On 7 June 2018, the European Network of Transmission System Operators for Gas (“ENTSOG”) published its Annual Report for the year 2017 (“the Annual Report”).

1.1.2 Pursuant to Article 6(3)(b) of Regulation (EC) No 713/2009 and Articles 8(3)(e) and 9(2) of Regulation (EC) No 715/2009, the Annual Report has to be evaluated by the Agency taking into account the objectives of non-discrimination, effective competition, efficient and secure functioning of the internal gas market.

1.2 Timeliness

The Agency reiterates its recommendation to ENTSOG to consider publishing its annual reports earlier.

¹ OJ L211, 14.8.2009, p. 1.

² OJ L211, 14.8.2009, p.36.

1.3 Completeness

1.3.1 The Agency notes that the Annual Report informs on the execution of all ENTSOG's relevant tasks foreseen under Article 8 of Regulation (EC) No 715/2009 regarding:

1.3.1.1 the monitoring and analysis of the implementation of network codes; and

1.3.1.2 the adoption of (a) Common Network Operation Tools; (b) the Ten-Year Network Development Plan (TYNDP), (c) recommendations related to the coordination of technical cooperation between Community and third-country transmission system operators (TSOs), (d) an annual work programme; (e) an annual report, and (f) annual summer and winter supply outlooks.

1.3.2 The Agency appreciates the inclusion in the Annual Report of concise tables providing a review of the work programme activities, including the specific ones originating from ENTSOG's Annual Work Programme 2017, along with the related objectives, deliverables and completion dates, the consultations involved and the progress status.

1.4 Provision of information

1.4.1 The Agency draws ENTSOG's attention to the fact that, in addition to the main tasks mentioned above, pursuant to Article 8(9) of Regulation (EC) No 715/2009, "the ENTSO for Gas shall make available all information required by the Agency to fulfil its tasks under Article 9(1)".

1.4.2 The Agency encourages ENTSOG to ensure that information requests from the Agency are adequately and consistently attended in all work areas, including, but not limited to, Network Codes (NCs) implementation and monitoring, the Transparency Platform (TP) and the network and market model(s) used for infrastructure planning.

2. ASSESSMENT OF ENTSOG'S ANNUAL REPORT FOR THE YEAR 2017

2.1 On Network Codes

2.1.1 The Agency encourages ENTSOG to continue to support the implementation and monitoring of the NCs, as required by Article 8(8) of Regulation (EC) No 715/2009:

2.1.1.1 The Agency appreciates the inclusion in the Annual Report of information related to monitoring the effects of the implementation of the NCs and notes the efforts made by ENTSOG in implementation monitoring. The Agency reiterates its recommendation, already provided in 2017, that these efforts be taken further, for example by consistently flagging cases of deficient implementation or cases showing substantial delays in implementation.

- 2.1.1.2 The Agency notes with appreciation the publication of the NCs Monitoring Report summaries in the Annual Report, as well as the inclusion of an overview of the Functionality Process.
- 2.1.1.3 The Agency welcomes the broadening of the scope of the jointly managed Agency-ENTSOG Functionality Process, for the purposes of which ENTSOG is encouraged to continue sharing its findings with the Agency and, where necessary, with stakeholders, before the publication of the results in the Annual Report.
- 2.1.2 The Agency welcomes the discussions with ENTSOG to enhance the validation of the data and the verification of data quality. However, the Agency reiterates its view that there is a need to standardise the methodology for the published data, improve the alignment of the Energy Identification Coding (EIC) used in the TP and to consider other relevant improvements to enhance the implementation of the legal requirements. The Agency likewise encourages ENTSOG to inform the Agency of possible amendment requests from stakeholders aimed at improving data quality and consistency in the TP, whenever those requests are not implemented voluntarily.
- 2.1.3 In view of the foregoing, the Agency, while positively noting the TP functionalities implemented in 2017 and in early 2018³, invites ENTSOG to consider providing in its future annual reports information about work leading to:
- 2.1.3.1 harmonisation of the methodologies underlying the data collection from TSOs and the data fed into the TP;
 - 2.1.3.2 improvements of data quality;
 - 2.1.3.3 more effective data provisions for the purpose of the Agency's monitoring reports on the implementation of the NCs, including additional coordination efforts with TSOs and the Agency, where appropriate;
 - 2.1.3.4 adding new reporting filters, such as types of firm capacity products, bundled and unbundled products, etc.; and
 - 2.1.3.5 other possible improvements as advised by stakeholders and by the Agency.

2.2 On Infrastructure Development

- 2.2.1 The Agency notes that, on the one hand, ENTSOG's short-term seasonal outlooks have for many years now consistently come to the conclusion that the gas infrastructure is highly resilient and can handle a variety of supply disruptions and demand stress situations, with only very few instances where shortage of gas would be observed due to inadequate infrastructure. On the other hand, ENTSOG's long-term infrastructure development perspective presented in the TYNDP, which includes

³ Cf. ENTSOG's Annual Report 2016, p. 36.

a European Capacity Adequacy Outlook and an assessment of the network resilience⁴, includes numerous infrastructure projects intended to serve needs and close infrastructure gaps. The Agency invites ENTSOG more clearly to link in the TYNDP the projects to the needs which they are expected to serve and to achieve greater consistency between the short- and long-run system adequacy assessments. The Agency recommends ENTSOG also to investigate, where appropriate, and explain the reasons for diverging assessment of system resilience in the short- and long-run, if any.

- 2.2.2 The Agency welcomes that ENTSOG submitted the 2017 edition of the TYNDP in draft to the Agency for its opinion, in compliance with Regulation (EC) No 715/2009, and notes ENTSOG's consideration of both the stakeholder feedback and the Agency's opinion in the final version of the TYNDP published in April 2018. The Agency welcomes the implementation of most of the "short-term" recommendations of the Agency in the final version of the TYNDP. The Agency invites ENTSOG to implement in the next TYNDP the "medium-term and long-term" recommendations, in particular by improving the gas network and market model and modelling tool⁵.
- 2.2.3 The Agency appreciates the inclusive scenario development process jointly developed by ENTSO-E for the TYNDP 2018, reflecting the views of relevant stakeholders and invites ENTSOG to continue to strive for the achievement of adequate and consistent scenarios with the key stakeholders.
- 2.2.4 The Agency welcomes ENTSOG's update during the year 2017 of the cost-benefit analysis (CBA) methodology adopted by the European Commission in 2015. The Agency recalls the importance of updating the current CBA methodology for its application to the TYNDP 2018. The Agency reiterates its view that such an update should allow the assessment and comparison of project-specific cost and benefits, with benefits information monetised as much as realistically possible. Project-specific CBA results should be available to all relevant stakeholders and be informative for the processes that the CBA methodology has to support (TYNDP, selection of Projects of Common Interest, investment requests).
- 2.2.5 The Agency welcomes the willingness of ENTSOG to take due account of the views and the recommendations of the Agency formulated in its Opinion No 07/2017⁶, in order to provide a complete and amended interlinked electricity and gas network and market modelling for approval to the Commission⁷.

⁴ Cf. ENTSOG's Annual Report 2016, p. 9.

⁵ Cf. Agency's Opinion No 6/2017 on ENTSOG's draft TYNDP 2017, Sections 2.3, 3.1, and 4: http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2006-2017.pdf

⁶ Cf. Agency's Opinion No 7/2017 on the ENTSOs draft interlinked electricity and gas market and network model: http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2007-2017.pdf

⁷ Cf. ENTSOG's Annual Report 2016, p. 9 and p. 31.

2.3 On Organisational Issues

- 2.3.1 The Agency notes that the Annual Report does not contain information on staff-related issues and encourages ENTSOG to include in future Annual Reports relevant information covering measures and policies adopted in pursuit of achieving continuity and transfer of knowledge within ENTSOG. The Agency reiterates that ensuring continuity and proper knowledge transfer within ENTSOG is vital for its operations.
- 2.3.2 The Agency welcomes the inclusion in the Annual Report of the Board's decision on ENTSOG's financial statements,

HAS ADOPTED THE PRESENT OPINION:

1. ENTSOG has published and submitted to the Agency the Annual Report for the year 2017 in compliance with Article 8(3)(e) and 9(2) of Regulation (EC) No 715/2009.
2. The Agency is of the view that future Annual Reports of ENTSOG can be improved in their content and presentation along the considerations set out in the present Opinion, in order better to serve their purpose.

This Opinion is addressed to ENTSOG.

Done at Ljubljana on 2 October 2018.

For the Agency:



Alberto Pototschnig
Director *ad interim*