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**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY
REGULATORS No 08/015**

of 26 August 2015

**ON THE ANNUAL REPORT FOR THE YEAR 2014 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 (hereinafter referred to as “the Agency”), 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 25 August 2015, delivered pursuant to Article 15(1) of Regulation (EC) No 713/2009,

WHEREAS:

- (1) On 1 June 2015, the European Network of Transmission System Operators for Gas (hereinafter referred to as “ENTSOG”) submitted to the Agency the Annual Report for the year 2014 (hereinafter referred to as “the Annual Report”) in a digital format and published it on its website.
- (2) Pursuant to Article 6(3)(b) of Regulation (EC) No 713/2009 and Articles 8(3)(b) 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,

HAS ADOPTED the present Opinion on ENTSOG’s 2014 Annual Report, with the following main findings, comments and guidance:

1. MAIN FINDINGS

- a) The Annual Report, entitled “Securing Europe’s energy future: implementing the internal market for gas”, consists of four chapters. The structure of the Report is consistent with the tasks attributed to ENTSOG pursuant to Article 8 of Regulation (EC) No 715/2009.

¹ OJ L211, 14.8.2009, p.1.

² OJ L211, 14.8.2009, p.36.

- b) The Annual Report provides an adequate and comprehensive account of the achievements of ENTSOG in 2014 and highlights the priority work carried out by ENTSOG in line with the targets for the Internal Energy Market. The Annual Report also contains information on ENTSOG's membership and team, as well as other supporting information, such as the lists of press releases, stakeholder consultations and workshops held during the reported period. The Agency notes that the Annual Report presents ENTSOG's Financial Statements, but does not include the Board decision on the Financial Statements.
- c) With regards to ENTSOG's activities, the Annual Report presents the main accomplishments of 2014, namely the preparation of the draft new tariff network code (TAR NC) and of the first amendments to the Capacity Allocation Mechanisms Network Code (CAM NC). Also, the Annual Report highlights ENTSOG's engagement in collaboration with the Energy Community in 2014, with particular attention to the agreement with Transmission System Operators (TSOs) from third countries on the development of an Early Warning System (EWS) and the implementation of the EWS with the Early Warning Team East, which was put in place by 1 October 2014. In addition, the Annual Report highlights ENTSOG's support to the European Commission for the establishment of a Ukrainian Monitoring Mission.

2. COMMENTS AND GUIDANCE

- a) The Agency welcomes the submission of the Annual Report on 1 June 2015, in compliance with Article 9(2) of Regulation (EC) No 715/2009. However the Agency encourages ENTSOG to consider the practice of publishing its annual reports on an earlier schedule, preferably during the first quarter of the subsequent year.
- b) The Agency recommends the inclusion, in future Annual Reports, of the Board's decision on ENTSOG's financial statements, in pursuit of greater transparency and making such information easily accessible to the public.
- c) The Agency notes that the Annual Report addresses all the tasks foreseen under Article 8(3) of Regulation (EC) No 715/2009 regarding the adoption of (a) common network operation tools (CNOT); (b) the Ten-Year Network Development Plan (TYNDP); (c) recommendations relating to the coordination of technical cooperation between Community and third-country TSOs, (d) an annual work programme, (e) an annual report and (f) annual summer and winter supply outlooks.
- d) The Agency encourages ENTSOG to continue delivering concrete results in view of the aim of a harmonised Internal Energy Market. The Agency encourages ENTSOG to continue supporting the implementation of the CAM NC and its monitoring process, as required by Article 8(8) of Regulation (EC) No 715/2009.
- e) The Agency appreciates ENTSOG's monitoring of the implementation of the Guidelines on Congestion Management Procedures (CMP).
- f) In light of the potential expansion, in future annual reports, of the chapter related to the implementation of network codes, the Agency renews its invitation to ENTSOG to augment the reporting of the final implementation results, by presenting them in an annex to the annual report or in a separate report. Moreover, the Agency encourages ENTSOG to report more comprehensively in the future, in particular by increasing transparency regarding non-implementing TSOs and addressing the challenges of the network code implementation, as well as by monitoring the implementation of the provisions of the codes at the level of detail of the regulation, rather than in an aggregated format. Also, for future implementation monitoring projects, the Agency

- encourages ENTSOG to share its findings with stakeholders before the publication of the results in the annual report.
- g) The Agency appreciates ENTSOG's joint reporting with the Agency on the early implementation of the Balancing Network Code (BAL NC). The Agency welcomes ENTSOG's cooperation and encourages ENTSOG to continue monitoring the BAL NC's implementation and to maintain the cooperation with the Agency for this purpose.
 - h) The Agency appreciates ENTSOG focusing on the drafting of the Network Code on Harmonised Transmission Tariff Structures for Gas (TAR NC) and appreciates its timely submission by December 2014, as planned in the Annual Work Programme 2014.
 - i) The Agency notes that ENTSOG's reporting on booking platforms lacks a comprehensive analysis of the implementing options depending on the market needs, the costs and the time required for the implementation of each option. The Agency finds that ENTSOG did not collect stakeholder inputs concerning the most appropriate option for the implementation of a booking platform and consequently the Annual Report does not assess the different options, nor identifies the optimal option. The Agency invites ENTSOG to include, in its future work programmes, the conduct of such analyses and assessments regarding the implementation of booking platforms, and to include its findings in future annual reports.
 - j) The Agency notes that the information contained in the Annual Report related to the development of CNOT and invites ENTSOG to consult its plans with the Agency, covering all the areas included in Article 8(3)(a) of Regulation (EC) No 715/2009, namely the tools needed to ensure coordination of network operation in normal and emergency conditions, including a common incidents classification scale, and research plans.
 - k) The Agency notes ENTSOG's effort in pursuit of improving transparency, involving stakeholders and taking their views into account, and expanding ENTSOG's resource base. The Agency welcomes the coverage in the Annual Report of the new Transparency Platform, appreciates the detailed information regarding its features, and encourages ENTSOG to assure the highest possible data quality on the Platform. The Agency welcomes the Transparency Platform's new features regarding data presentation in charts and graphs and encourages ENTSOG to improve data exportation and treatment further.
 - l) Regarding ENTSOG's reporting on the activities related to the seasonal (winter and summer) Outlooks released by ENTSOG in 2014, the Agency finds the analysis on the infrastructure network's robustness and flexibility of the system appropriate. However, the Agency invites ENTSOG to consider examining the most likely seasonal patterns of physical flows, commercial and other barriers to gas flows, and the availability of gas supplies, and notes that the seasonal Outlooks developed by ENTSOG under Article 8(3)(f) should clearly look at all aspects of gas supply, along with the aspects of the flexibility of the gas supply infrastructure. In addition, the Agency invites ENTSOG to enhance the consistency between the seasonal Outlooks and the long-term development perspective presented in the Ten-Year Network Development Plan (TYNDP).
 - m) The Agency notes that the Annual Report mentions that the goals of preparing frameworks for demand and supply scenarios have been achieved³, but none of the 2014 deliverables seem to be related to these goals. The Agency stresses the importance of developing credible gas supply and demand scenarios, in particular for the analyses in

³ Cf. ENTSOG Annual Report 2014, p. 17.

support of the development of the cost-benefit analyses under Regulation (EU) 347/2013, the seasonal Outlooks, and other work in view of the aim of a harmonised Internal Energy Market and consistent infrastructure development. The Agency points out that scenario development, consistently with scenarios for the electricity sector and scenarios at Member State level, is a core task to be performed and duly consulted ahead of the TYNDP preparation, as in the practice of the European Network of Transmission System operators for Electricity (“ENTSO-E”), and invites ENTSOG to structure this process properly and to provide adequate information about scenario-related work, including consultations with stakeholders, where relevant.

- n) The Agency notes that ENTSOG’s Annual Report 2014 indicates⁴ that a new edition of the TYNDP is now foreseen for the last quarter of 2016. The Agency welcomes the activity and its timing, which would allow the alignment of the timeline with that of the electricity TYNDP, after consultation on a version in October 2016, and would promote synergies across sectors and a better streamlined PCI selection process in 2017.
- o) The Agency takes note of ENTSOG’s reporting on the adapted cost-benefit analysis (CBA) methodology which was approved by the European Commission in February 2015, in line with Regulation (EC) 347/2013. The Agency reiterates its invitation to ENTSOG to conduct comprehensive and interactive consultation processes including one or more real-life (sample) project CBA assessment(s), and invites ENTSOG to continue monitoring the CBA process in order to increase effectiveness of the analysis, in view of the importance of a consistent, timely, and objective system-wide and project-level CBA as a precursor of project implementation in pursuit of a harmonised and efficient Internal Energy Market. The Agency recalls the importance of the requisite inclusion of the project cost information in the CBA and the reporting of the CBA results in terms of realistic monetary assessments rather than “virtual” values.
- p) With regards to the support of Gas Regional Investment Plans, the Agency welcomes ENTSOG’s cooperation with the Energy Community and stresses the importance of ENTSOG’s valuable expertise in providing assistance to the cooperation between member TSOs and neighbouring TSOs. The Agency encourages ENTSOG to continue this activity and to assure its coverage of all regions where substantial interaction with non-EU stakeholders takes place. Additionally, the Agency invites ENTSOG to develop the Gas Regional Investment Plans in close cooperation with NRAs and other competent national authorities, in order to have a clear vision of the infrastructure’s situation and needs in the Member States that may also impact the infrastructure needs at a regional level.
- q) The Agency notes the information provided in the Annual Report regarding the coordination of the technical cooperation between EU and third-country TSOs. The Agency encourages ENTSOG to pursue the reporting of this activity further in the forthcoming annual reports.
- r) The Agency welcomes ENTSOG’s contribution to the activities of the Gas Coordination Group and its support to the Stress Test process. In this respect, the Agency takes note of ENTSOG’s results confirming the beneficial role of cooperation and solidarity among Member States.
- s) The Agency concurs with the view expressed by ENTSOG regarding the need for intensifying the cooperation with ENTSO-E, in view of maximising the economic benefits in compliance with the aim of the Internal Energy Market. The Agency welcomes the cooperation between ENTSOG and ENTSO-E in agreeing on

⁴ Ibid., p. 21.

establishing their first common task force (Cogasel TF). The Agency welcomes the intention of preparing a joint modelling approach by the end of 2016 as required by Article 11(8) of Regulation (EU) No 347/2013. The Agency points out that the activities related to the development of renewable energy sources and its implications for the gas sector are important and could be included in the cooperative activities with ENTSO-E. The Agency invites ENTSOG further to develop the presentation of the cooperation with ENTSO-E in the next annual report.

Done at Ljubljana on 26 August 2015.

For the Agency:



Alberto Pototschnig
Director



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